Annual Report

2023

EKF Diagnostics

Contents

1.0 Strategic Review and Corporate Governance 3-27

Financial and Operational Highlights	3
At a Glance	4
Executive Chairman's Statement	7
Chief Financial Officer's Review	11
Board of Directors	14
Strategic Report	16
Report of the Directors	21
Corporate Governance Statement	24
Report of the Remuneration Committee	27

2.0 Financial Statements 28-79

Independent Auditors' Report	28
Consolidated Income Statement	35
Consolidated Statement of Comprehensive Income	36
Consolidated and Company's Statement of Financial Position	37
Consolidated and Company's Statement of Cash Flows	38
Consolidated Statement of Changes in Equity	39
Company Statement of Changes in Equity	40
Notes to the Financial Statements	41

3.0 Additional Information 80-84

Notice of Annual General Meeting	80
Notes	82
Company Information	84

Financial and Operational Highlights

2023 - Key points

Financial Highlights

- Revenues of £52.6m in-line with market expectations (2022: £66.6m)
  – *Revenues (excluding COVID-related & clinical chemistry sales) of £48.7m (2022: £48.6m)*
- Gross profit before exceptionals of £24.4m (2022: £30.8m)
- Gross margin improved to 45% (2022: 36%) and admin expenses reduced by £3.5m
- Adjusted EBITDA* of £10.4m (2022: £14.9m)
- A return to profit before tax of £2.1m (2022: loss of £8.9m)
- Cash generated from operations of £8.8m (2022: £12.7m)
- Group cash, net of borrowings (excluding IFRS 16 liabilities), at year end of £4.7m (2022: £11.4m), primarily reflecting cash generated from operations less £6.8m capital expenditure (2022: £4.4m) and £5.4m dividend payment (2022: £5.5m)
- Cash dividend paid to shareholders, equivalent to 1.2p per ordinary share (2022: 1.2p per share)

** Earnings before interest, tax, depreciation and amortisation, adjusted for exceptional items and share-based payments ('AEBITDA')*

Operational Highlights

- Business division revenues:
  – **Point-of-Care:** *up 1.9% to £34.1m (2022: £33.4m); up 3.5% to £32.4m excluding clinical chemistry revenues (2022: £31.3m)*
  – **Life Sciences:** *overall revenues down 2.4% to £14.8m (2022: £15.2m), despite 1.6% rise in β-HB sales*
  – **Other:** *£2.3m (2022: £8.5m, which includes £3.5m relating to cash received for US inventory)*
- Opening of upgraded Life Sciences facility in South Bend in October 2023
  – fermentation run for a new customer completed
  – ongoing transfer of some higher volume biomanufacturing products from Elkhart to South Bend
- Removal of non-core, low margin products from portfolio
- Board changes: Julian Baines, Executive Chair, remaining in role on a longer-term basis and Steve Young appointed as CFO in September 2023

At a Glance

EKF Diagnostics Holdings plc ("EKF") is a leading global diagnostics and biotechnology company specialising in the development, production, and distribution of leading medical technologies and patient-centric solutions.

We are serious players in healthcare and deliver value-based products that have a life-changing impact on patients and people.

Our diagnostic technologies and biotechnology solutions empower healthcare professionals and non-medical practitioners to make informed decisions through point-of-care testing and life sciences applications.

The Group report their segmental results on a geographical basis. Within those segments, the Group's go to market activity for 2023 is defined as Point-of-Care and Life Sciences, as outlined below:

Point-of-Care

EKF develops and manufactures medical devices and tests (in-vitro diagnostics (IVD)) that can be used at or near the patient's location. Designed to provide quick and accurate results, these tests (and optional data connectivity software) enable healthcare professionals to make rapid decisions.

Our point-of-care range includes hematology analysers that streamline blood donation and anaemia screening, ensuring rapid and reliable results for informed medical choices. Globally utilised in various healthcare settings, they enhance access and outcomes. Our HbA1c analysers prioritise prediabetes and diabetes care with rapid, trustworthy diagnostics, aiming to lower long-term healthcare costs and elevate patient well-being.

1. **Diabetes care:** EKF offers a range of products related to diabetes care, including glucose monitoring systems and associated supplies and consumables.

2. **Hematology solutions:** EKF provides products, supplies, and consumables for measuring hemoglobin levels, including those used for the detection of hemoglobin variants.

Empowering precision and care, our commitment to high-quality point-of-care technologies and solutions drives the early detection, accurate diagnosis, therapeutic development, and effective monitoring of conditions and diseases.

For further information and product details visit www.ekfdiagnostics.com/point-of-care

At a Glance (continuation)

Life Sciences

EKF develops and supplies diagnostic and therapeutic enzymes, proteins, reagents, and other bio-materials used in the research, biotechnology, and pharmaceutical industries. Dedicated to supporting clinicians, scientists and researchers these high-quality materials can be used in multiple applications.

Our life sciences portfolio encompasses state-of-the-art precision fermentation facilities and downstream processing capabilities. Enabling the production of top-tier diagnostic enzymes and customised products tailored for medical diagnostics, pharmaceuticals, and industrial applications. Our facilities play a pivotal role in advancing quality-assured manufacturing processes, custom-engineered to meet the precise specifications of our valued customers.

1. **Enzyme Fermentation:** EKF offers precision fermentation, custom bioprocessing and contract manufacturing services related to the production of pharmaceuticals and other biologics.

2. **Beta-hydroxybutyrate (β-HB):** EKF provides β-HB products which are used to detect ketones, to help identify patients suffering from diabetic ketoacidosis, and other clinical applications.

Our life sciences expertise and technologies cultivate specialist fermentation research, development, and commercial projects, facilitating transformative breakthroughs in healthcare and beyond.

For further information and product details visit **www.ekfdiagnostics.com/life-sciences**

As a global leader in the development and distribution of diagnostic technologies and biotechnology solutions, EKF has a presence in over 120 countries with the solutions needed to support better health and wellness worldwide.

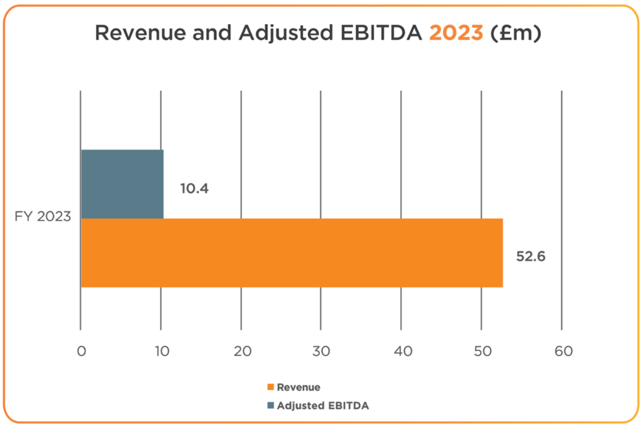
For global healthcare professionals and non-medical practitioners seeking dependable diagnostic technologies and biotechnology solutions, EKF offers an extensive, leading portfolio of devices, products, and solutions founded on decades of industry experience and a proven track record of excellence — making us the trusted choice.

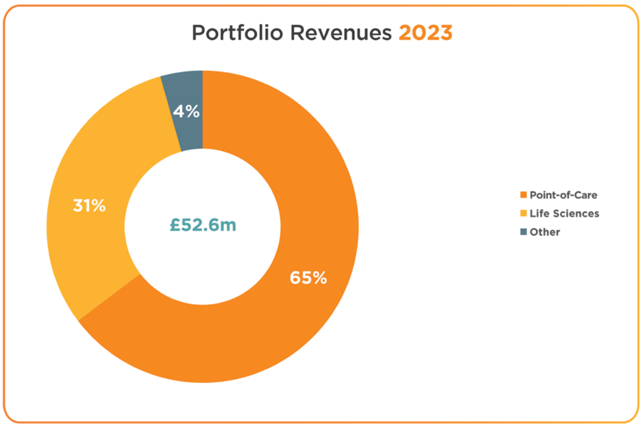
EKF is dedicated to advancing healthcare globally, with our expertise and experience meeting the needs of healthcare professionals and non-medical providers worldwide. We are committed to seeking new avenues for enhancing outcomes, while also expanding our global footprint through strategic partnerships, commercialisation endeavours, and distribution agreements.

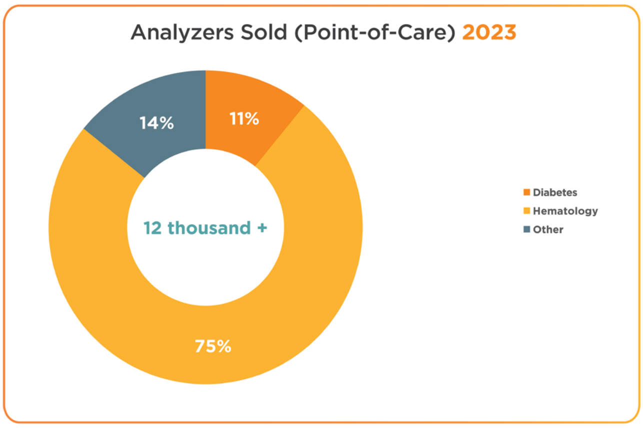
Confident in our ability to generate value for our shareholders and customers, EKF anticipates continued success in the years ahead, reaffirming our commitment to advancing the fields of diagnostic technologies and biotechnology solutions and continuing to make a meaningful impact on the health and wellness of patients and people globally.

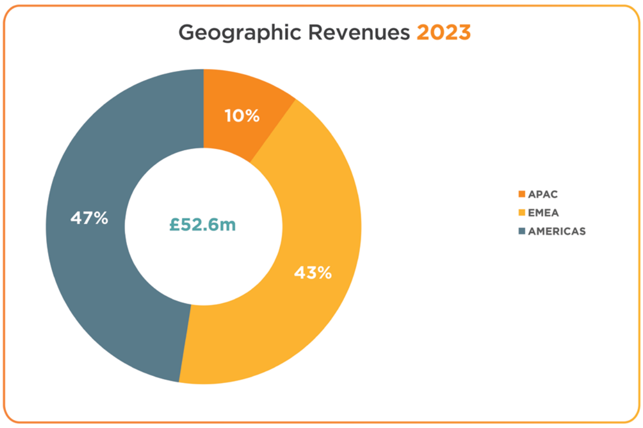
For further information visit **www.ekfdiagnostics.com**

2023 Summary









Strategic Report – Executive Chair's Statement

We are pleased to announce EKF's full-year results for 2023 which saw the Group deliver revenues of £52.6m. Adjusted EBITDA for the year was £10.4m, slightly ahead of market expectations. The results show continued, sustainable growth in our established Point-of-care business and the simplified structure of EKF now reflects our continuing business lines.

We have worked hard on reducing and stabilising our cost base, which has resulted in a significant improvement in our margins for the second half of the year as we consolidated the business back to our core strengths. This activity included the closure of our UK Contract Manufacturing operations in February 2023, the sale of our laboratory testing business, Advanced Diagnostic Laboratory LLC, in March 2023, and the simplification and rationalisation of other areas of the business. Challenges continue with increasing raw material and other costs but, by consolidating our product offering, we are able to focus on continuing to drive margin improvement and increased cash generation throughout 2024.

Despite the challenges during 2023, the senior management team has successfully refocused the business back to pre-pandemic levels. We have also used this opportunity to simplify the business by removing non-core, low-margin products from our portfolio which will result in increased profitability. This work is progressing well.

We were pleased to announce that our new 24,000 square foot state-of-the-art fermentation facility at South Bend opened in October 2023. We have improved our ability to provide downstream processing to meet customer needs and successfully undertook our first fermentation for a new customer before the end of the year.

The focus for 2024 is to continue to implement strategies to grow Point-of-Care and Life Sciences and to concentrate on our core products and services within each of the divisions to drive further margin improvement and enhance cash generation. These two divisions can be summarised as:

- **Point-of-Care** – supplying analysers and consumable products in the key areas of Hematology and Diabetes
- **Life Sciences** – offering contract fermentation services for clinically important enzymes and proteins, and the manufacture of Beta-Hydroxybutyrate (β-HB), used as a quantitative ketone test to identify patients suffering from diabetic ketoacidosis, as well as in many other clinical applications.

Revised product porfolio mix to focus on margin improvement

It has been our aim throughout 2023 to simplify the business to improve reporting and focus our efforts on the areas where we are most successful, where we have the best developed distribution channels, and the strongest opportunities for delivering growth. By focusing our portfolio within Point-of-Care and Life Sciences, we will further increase margins and cash generation. It will also allow our Sales, Marketing and Product Management departments to focus on growing and developing our higher margin product ranges.

As part of the refocusing of the business, we have decided to discontinue our clinical chemistry range, which has been impacted by increased competition from India and China leading to the product range being sold at a very low or even negative margin. Whilst this will see a reduction in revenue of £1.7m, exiting from this range will have a positive impact on EBITDA margins.

During 2023 we also chose to discontinue our STAT-Site M β-HB serum and plasma product line. We had already discontinued the STAT-Site M β-HB device in 2021, but whilst we had continued to support customers with consumables, this proved to be unsustainable due to declining sales and increased technical challenges, resulting in a fuller cessation. Whilst this will have some impact on future revenues (approximately £0.4m per annum), we expect to replace most of this with our best-in-class β-HB LiquiColor chemistry reagent and our whole blood β-HB hand-held meter, with both of these continuing products showing growth in 2023 as stated below.

This portfolio rationalisation will allow us to focus on our more profitable core products and services, particularly those that have delivered stronger growth in 2023 and are expected to continue to do so. As a result, our team is focussed on only the major business lines within our two divisions, as shown below, together with revenue growth statistics:

Strategic Report – Executive Chair's Statement (continuation)

- Diaspect Tm (up 34% year-on-year)
- HemoControl (down 5% but expected to return to growth in 2024)
- Quo-Test and Quo-Lab (up 19% and 6% respectively in 2023)
- Biosen (slightly up excluding the impact of foreign exchange movements)
- β-HB LiquiColor (4% growth in 2023, but expected to return to stronger growth in 2024)
- β-HB hand-held meter (52% growth from a low starting point)
- Enzyme Fermentation (considerable scale up to optimal capacity by early 2026)

Review of 2023 core businesses and products performance

The future prospects for the business are looking increasingly promising with our expectation that, with focus on the core lines above, we will continue to grow Point-of-Care, and Life Sciences will benefit from accelerated growth in β-HB sales, as well as new fermentation customers coming on-line in South Bend.

The reported results for 2023 shown below do not fully reflect the benefits of the product portfolio rationalisation implemented over the course of the year, and also still show 2022 comparative data that includes legacy contract manufacturing revenues from COVID-related activities. Whilst gross margins have already improved considerably to 45% in 2023 from 36% last year, further beneficial effects of this focus were evident in Q4 margins and the business moves into the new financial year making further progress in improving gross margins.

Divisional revenues for the 12 months ended 31 December *£ millions*	2023	2022	% change
Point-of-Care (POC)	**34.1**	**33.4**	**+2.1%**
POC: excl. clinical chemistry revenues	32.4	31.3	+3.5%
Life Sciences	**16.3**	**24.7**	**-34.0%**
Life Sciences: β-HB and Fermentation sales	14.8	15.2	-2.6%
Life Sciences: incl. COVID-related revenues	1.5	9.5	-84.2%
Other*	**2.2**	**8.5†**	**-74.1%**
Total Revenues	**52.6**	**66.6**	**-21.0%**
Total Revenues (excl. COVID-related & clinical chemistry revenues)	**48.7**	**48.6**	**0.0%**

** Other revenue relating to, shipping and handling recharges, repairs and other sundries, plus testing of £1.0m in 2023 (2022:£2.6m)*

† Includes £3.5m relating to US inventory receipt.

(1) Point-of-Care

EKF continues to hold a strong position in Point-of-Care and the growth in key products in this division was very positive, with significant double-digit growth in some of our main product lines (Diaspect Tm and Quo-Test). We maintain a very strong position within the global market for hematology and diabetes testing, a market which has considerable barriers to entry due to increasing regulatory hurdles required to launch any new instrumentation, as well as our long-established and comprehensive base of installed users and high-quality global distribution channel. In 2023, we sold over 12,000 Point-of-Care analysers, resulting in sales of over 95 million individual test consumables. In 2023 we carefully targeted the management of our distribution channels to increase consumable pull through against 2022, delivering a 10% increase in consumable sales over the year.

Our haemoglobin and diabetes products continue to deliver sustainable growth and are performing beyond management expectations, and we expect to continue to grow in Point-of-Care.

We have focused on expanding our reach within this area, updating our portfolio to include connectivity using our leading EKF Link™ data management platform, as well as automating manufacture for single-packed cuvettes which more closely aligns with customer needs in emerging markets where they do not undertake 50 tests at a time.

• Hematology

Total sales of our hematology analysers and consumables were up 2% year-on-year. Our second largest hematology product by sales is Diaspect Tm, and this continues to perform well with 34% year-on-year growth, driven by significant sales increases in Africa, driven by our ongoing support of Egypt's Vision 2030 programme which has seen large volumes of testing undertaken in children.

Our largest contributor to Hematology revenues, Hemocontrol, saw a decline in sales of 5% in 2023, mainly due to three factors:- the late opening of Women, Infants and Children (WIC) clinics in the United States following the end of the COVID pandemic; delayed ordering of products from key partners in Peru, one of our biggest HemoControl markets; and in some cases EKF choosing to offer Diaspect Tm as a more appropriate solution in territories where the market requirements have moved. Encouragingly, WIC programmes are now online, our local distribution partner Diagnostica Peruana is expecting a positive upturn in Peru, and we have won tenders in Hong Kong, Egypt and Thailand, enabled by the EKF Link™ data connectivity platform. This bodes well for future growth from this product.

• Diabetes

Our diabetes product portfolio delivered 3% year-on-year growth. Quo-Test & Quo-Lab, both of which test for glycated haemoglobin (HbA1c) levels, have shown strong

Strategic Report – Executive Chair's Statement (continuation)

growth (revenues up 19% and 6% year-on-year respectively), demonstrating that confidence and stability has returned to Point-of-Care testing. Particularly good growth for Quo-Test has been demonstrated in the UK, Sweden, South Africa, and the Philippines, where engagement with new and existing distribution partners has been focused. Biosen sales, our largest contributor within diabetes, rose slightly on a constant currency basis (i.e. excluding the impact of adverse foreign exchange movements).

(2) Life Sciences

- ### BhB

Total β-HB sales grew by 2% in 2023, with sales of our β-HB LiquiColor® reagent up by 4% year-on-year. This growth rate reflects two main factors. First, we signed a new White Label ("WL") contract for β-HB LiquiColor® with Thermo Fisher. This will protect and grow our US market, however, Thermo Fisher ran down its pre-existing EKF-branded stock before ordering the new WL products from February 2024 onwards. Whilst this slowed sales growth in FY23, the resumption of regular stock ordering and replenishment of the new WL products will benefit FY24 revenues. We now have WL agreements with Cardinal and Thermo Fisher and this is expected to lead to continued growth of β-HB LiquiColor® sales in the United States.

Second, as stated above, we have discontinued our STAT-Site M β-HB, a portable device for the quantitative determination of β-HB in serum or plasma. This had an impact on revenue growth in Q4 but allowed us to focus on growing our userbase for the whole-blood handheld meter by over 50% in the same period, as we switched customers to this reliable and easy-to-use hand-held product.

- ### Fermentation

The South Bend site opened in October 2023 and we have already completed three fermentation runs, two of which will generate revenue in 2024, this will lead to further growth in 2024 as the two new customers scale up. In addition, improvements can be made by the transfer of some biomanufacturing of certain higher volume products from Elkhart to South Bend. Fermentation revenue was down slightly compared to 2022 due to the timing of shipments to customers at the year end.

Our full range of fermenters of different capacity is now online and we will look to scale up output for our customers throughout 2024 and to add additional customers throughout the current year. We are aiming to have the site running at closer to optimal capacity by the beginning of 2026. Our forecasts and guidance to analysts reflect this gradual build-up in revenues and profitability.

The additional capacity now installed and operational will also enable the production of 12 months' inventory for our own key products in just one 3,000L fermentation. We have never been able to achieve this scale historically. Increasing batch sizes, and thereby reducing the number of batches that are needed to produce the same volume, will have a positive impact on margin. With this in mind, we are currently reviewing the improvement in operational efficiency across both sites.

Cash and Dividend Policy

Cash net of bank borrowings at the end of the year was £4.7m, slightly ahead of expectations as we saw an increase in margin in the second half of the year. The Company has continued to generate strong cash from its operations in FY24 and, as further margin improvements come through, we expect this cash conversion to increase. Rebuilding the Company's cash levels is a key consideration for the Board, to allow for further potential growth investment in the business. This will be aided by a circa $2.7m tax rebate in the US that will be received before the end of 2024.

Therefore, whilst the full impact of these improvements continues to be realised, the Board believes that it would be prudent to pause regular dividend payments, allowing cash levels to build back up and to focus on enhancing shareholder value through growth. As margins and cash generation improve further, the Board will consider the best deployment of cash to deliver shareholder returns. The Board will continue to review the option of recommencing dividend payments, but only if appropriate, and subject to the availability of surplus cash generation above the needs of the business and the potential to enhance returns through investment in growth.

Russia

We continue to supply tests to Russia through our 60% owned subsidiary, but increased sanctions have restricted the range of medical instruments we are able to supply into the region to that which is deemed essential. This has inevitably led to a reduction in revenues generated from Russia, although we have been able to restart the receipt of dividend payments from the Russian operation on a limited basis and this is continuing. As a result, £0.3m cash has been received by the Company in FY23, with cash balances of £1.7m as at 31 December 2023 (£2.4m as at 31 December 2022). A further £0.1m has been received so far in 2024. Sanctions are expected to continue to apply against Russia and we have reduced our revenue expectations from Russia accordingly for 2024 and beyond.

Management Structure

As part of our continuous improvement, the Company has put in place a Senior Management team with a proven track record for delivery, including a Chief Product Officer, Global Head of Sales, Chief Operating Officer and a President, US. Each member of this team has significant experience and longevity within EKF and in their respective roles will play an instrumental part in the future success of the business. The revised management structure reflects our refocused operations and the opportunities to drive growth from them.

Strategic Report – Executive Chair's Statement (continuation)

Board Changes

During 2023 we announced a number of Board Changes. In March, Mike Salter (who previously resigned from the board in February 2023) left the business to pursue new opportunities. In June, Marc Davies confirmed his intention to stand down from his role as CFO and was replaced by Stephen Young in September after an orderly handover period.

As previously stated, I remain fully committed to delivering the opportunities that EKF has in front of it, and for the foreseeable future we will not be looking for a new Group CEO as I will continue to serve as Executive Chairman. The opportunities for growth in our established businesses are very exciting and I want to ensure that these are delivered by the team.

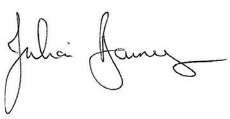
The Board now compromises five members – two Executive Directors and three Non-executive Directors, two of whom are independent:-

Julian Baines	Executive Chair
Stephen Young	Chief Financial Officer
Christian Rigg	Senior Independent Non-executive Director
Jenny Winter	Independent Non-executive Director
Christopher Mills	Non-executive Director

Outlook

2024 will see the completion of the rationalisation process that has simplified the business, allowing us to focus on our higher margin products and services, as well as delivering further improvements to EBITDA margin and cash generation.

EKF is a well-established business, with a core product portfolio that is steadily growing, generating cash from its operations. With a structured management team in place, a newly streamlined business, and the opening of our state-of-the-art fermentation facility in South Bend, we have a Company that is well placed to deliver growth and improved returns from many of the investments made over the last two years.



Julian Baines
Executive Chairman

20 March 2024

Chief Financial Officer's Review

Revenue

Revenue for 2023 was £52.6m (FY 2022: £66.6m), a decrease of 21% on the prior year, reflecting the disposal of the ADL laboratory testing business with sales of £0.5m in 2023 (FY 2022: £2.6m), significantly lower COVID related revenues, and a one-off inventory recovery item of £3.5m in 2022. At constant 2022 exchange rates, revenue for the year would have been £53.2m.

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

	2023 £'000	2022 £'000	+/- %
Germany	22,095	24,192	(9%)
USA	26,133	36,822	(29%)
UK	815	1,419	(43%)
Russia see below	3,568	4,202	(15%)
Total	**52,611**	**66,635**	**(21%)**

Revenue and AEBITDA by geographical segment:

	2023 Revenue £'000	2023 Adjusted EBITDA* £'000	2022 Revenue £'000	2022 Adjusted EBITDA* £'000
Germany	22,095	6,459	24,192	8,089
USA	26,133	6,851	36,822	8,309
UK	815	(4,018)	1,419	(3,057)
Russia	3,568	1,092	4,202	1,563
Total	**52,611**	**10,384**	**66,635**	**14,904**

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

Commentary by geographical segment:

Germany – Reduction in revenue primarily due to sample collection tubes and kits contract manufacturing activity following COVID drop off in Q1 2022. The reduction was partly offset by the increase in revenue across several core product lines, which meant only a 9% overall reduction in revenue. This reduction in revenue impacted the adjusted EBITDA generating £6.5m in 2023 (2022: £8.1m).

USA – Significant reduction in contract manufacturing following COVID drop off in Q1 2022, plus effect of sale of ADL Health. The US business includes the Clinical Chemistry products discussed earlier in the Chairman's Statement. Again, the revenue reduction impacted the adjusted EBITDA generating £6.9m in 2023 (2022: £8.3m).

UK – Reduced contract manufacturing activity following the closure of the UK contract manufacturing facility in Q1 2023.

Russia – Local currency revenue increased but was affected by less favourable exchange rates. 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 2023 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. The effect of sanctions and Russian Government retaliation is increasing. Despite this, it has been possible to distribute limited cash dividends from this subsidiary in 2023, however it is not clear how long this will be able to continue. As at 31 December 2023, cash held in Russia totalled £1.7m (31 December 2022: £2.4m).

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

Gross profit

Gross profit was £23.9m (2022: £24.0m), which represents a gross margin of 45% (2022: 36%). Before exceptional costs of £0.6m (2022: £6.8m) the gross profit was £24.4m (2022: £30.8m), representing a gross margin percentage of 46% (2022: 46%). The margin improvement was largely the result of lower exceptional costs.

Administration costs and research and development

Administration costs excluding exceptional items have decreased to £19.7m (2022: £23.2m), largely as a result of cost savings made and the disposal of ADL Health, and a lower headcount across the other businesses.

Research and development costs included in administration expenses were £1.8m (2022: £1.5m). A further £0.4m (2022: £1.4m) was capitalised as an intangible asset, resulting from our development work to broaden and improve our product portfolio (including our EKF Link data management platform), bringing gross R&D expenditure for the year to £2.2m (2022: £2.9m). Impairment of development work which no longer met the criteria for capitalisation totalled £0.9m. The charge for depreciation of fixed assets and amortisation of intangible assets decreased to £5.5m (2022: £6.7m). The reduction was mainly associated with lower amortisation charges.

Chief Financial Officer's Review (continuation)

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

The Group generated an operating profit of £2.1m (2022: loss of £9.0m). This was a result of lower exceptional costs, and the positive effects of the cost savings made during the year. 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 2023 we achieved adjusted EBITDA of £10.4m (2022: £14.9m), a decrease of 30.2%, due to the lower gross profit generated with the reduction in Covid related revenues but offset by administrative expense savings. The calculation of this non-GAAP measure is shown on the face of the income statement. It excludes the effect of exceptional costs of £2.8m (2022: £17.5m), the main elements of which in 2023 are the final loss on disposal of assets relating to the disposal of ADL Health, and the further write down of inventory relating to our former COVID business, net of actions taken to mitigate the effect.

Finance costs

There is net finance income of £0.05m (2022: £0.03m). The benefit of interest received on cash balances, mainly those held in Russia, is partially offset by interest on bank borrowings as well as 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.

Tax

There is an income tax credit of £0.6m, a further decrease from the prior year charge (2022: £0.6m). The effective tax rate is (28.2%). This is mainly due to the tax effect of the fixed asset programme in the USA.

Dividend

A cash dividend of 1.2p per ordinary share was paid in December 2023, in respect of the final dividend for 2022. Based on the potential need for continued modest investment in the growth of our core areas the Board has decided that it would be prudent to pause dividend payments and to enhance shareholder value mainly through growth.

Balance sheet

Property plant and equipment and right-of-use assets

Additions to fixed assets were £7.4m (2022: £7.0m). The largest part of this related to 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, and the capitalisation of replacement leases under IFRS 16, mainly in respect of the Indiana properties. The new facility was officially opened in October 2023 and the major capital programme there is coming to an end.

Intangible assets

The carrying value of intangible assets has decreased, from £33.8m at the end of 2022 to £30.2m as at 31 December 2023. This is largely due to amortisation of assets and the impairment of certain development projects which no longer meet the criteria for capitalisation. Intangible assets with a gross value of £9.3m which had previously been impaired in full were disposed of during the year, largely as a result of the disposal of ADL Health.

Investments

During the year the Company disposed of all of its shareholding in Renalytix plc, a developer of artificial intelligence enabled chronic kidney disease products. Proceeds were £1.3m. We continue to hold small investments in Verici Dx plc, Epinex, LLC, and Llusern Scientific Limited, with a combined carrying value as at 31 December 2023 of £0.28m.

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 2024.

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 £4.7m from £11.4m. Excluding cash held in Russia; the cash balance net of borrowings is £3.0m (2022: £9.0m). Gross cash has reduced to £7.7m (2022: £11.6m). Borrowings at 31 December 2022 of £0.1m were repaid in full during the year. A new loan of £3.0m was agreed in September 2023 and drawn down during the year from HSBC UK plc. The loan is a revolving credit facility which allows us to borrow over short periods within the three-year term. Borrowings are therefore disclosed as current. Cash generated by operations is £8.8m (2022: £12.7m). Investment has been made in the acquisition of fixed assets (£6.8m excluding IFRS 16 leases), principally the new fermentation facility in South Bend, Indiana. The dividend paid in December 2023 totalled £5.4m (2022: £5.4m). In addition, a tax refund in relation to the US business of $2.7m is expected before the end of 2024.

In addition to the loan from HSBC, the Company continues to benefit from a funding line with North Atlantic Smaller

Chief Financial Officer's Review (continuation)

Companies Investment Trust PLC ("NASCIT"). Christopher Mills, Non-executive Director of the Company, sits on the Board as Chief Executive Officer of NASCIT 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 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 signature in March 2023 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. An arrangement fee of £25k was paid to NASCIT in connection with the facility being made available.

As a Substantial Shareholder (as defined in the AIM Rules), the arrangement of the debt facility with NASCIT represented a related party transaction pursuant to AIM Rule 13. In accordance with AIM Rule 13, the independent Directors of EKF (being the Directors of the Company other than Christopher Mills), consulted with Singer Capital Markets as the Company's nominated adviser and disclosed (prior to entry into the facility agreement) that they consider the terms of that agreement are fair and reasonable in so far as shareholders are concerned.

Going concern

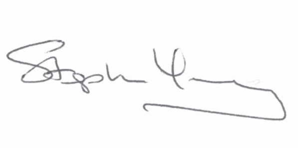
The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show that, even taking into account severe but plausible changes in financial performance, the Group will be able to meet its liabilities as they fall due throughout the going concern period. The directors note the Company has net current liabilities as at 31 December 2023 and at 31 December 2022, however the majority of the current creditors are in the form of intercompany creditors to subsidiary companies and the timing of settlements is within the control of the company.

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, during 2023 the Group has undertaken cost reductions, and secured a committed loan of £3m from HSBC. It also retains access to £3m of funding from North Atlantic Smaller Companies Investment Trust, which is available until March 2026.
Considering the range of sensitivities which account for a severe downturn versus expectation in 2024, 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 12 months from the date of this report. Accordingly, the directors are satisfied they can prepare the accounts on a going concern basis.

Share capital

During the year the Company acquired 1.2m of its own ordinary shares at a value of £0.4m in connection with the sale of the ADL Health business to certain of its original shareholders. The acquired shares remain held in treasury as notified after the purchase.

The remaining share options in the Company's ordinary shares lapsed during the year, and as a result there are no outstanding share options at 31 December 2023.



Stephen Young
Chief Financial Officer

20 March 2024

Board of Directors

Non-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 EKF 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 in January 2023. Julian is also Chair of Verici Dx plc.

Stephen Young (Appointed 12 September 2023)

Chief Financial Officer

Steve is an experienced Finance Director and CFO. He joined the Company from Trellus Health plc where he had served as Interim Chief Financial Officer, in a non-board capacity, since August 2022.

Prior to working with Trellus, Steve served for thirteen years as CFO and Company Secretary with Axiom Manufacturing Services Limited, a contract electronic manufacturer. Having joined in 2009 when Axiom generated close to £12m in revenue and was loss making, he supported the restructuring of the business to over £62m turnover in 2020.

In addition to this, Steve has experiencee with AIM-quoted businesses having served as Interim CFO at Pure Wafer plc and, before this, BBI Holdings plc which was admitted to AIM in 2004. During Steve's seven year tenure at BBI he reported to EKF Executive Chair Julian Baines when he was CEO of BBI. Steve is a member of the Chartered Institute of Management Accountants (CIMA).

Board of Directors (continuation)

Non-Executive Directors

Christopher Mills

Non-executive Director (Non-executive Chair until 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.

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

Independent 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.

Strategic Report

for the year ended 31 December 2023

The Directors present their Strategic Report for the year to 31 December 2023.

Review of the business

A review of the business is contained in the Executive Chairman's Statement on pages 7 to 10 and the Chief Financial Officer's Review on pages 11 to 13.

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 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 disregarded 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 Group has not faced significant issues following the UK 's withdrawal from the EU, however the Group has employees, facilities, customers, and suppliers in both the United Kingdom and the EU, and there remains a possibility withdrawal may affect the Group's operational abilities and costs. The Group has taken mitigating actions including the movement of certain activities between the UK and the EU, and seeks to manage this risk by monitoring events and taking further mitigating actions if necessary,

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

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.

Strategic Report (continuation)

for the year ended 31 December 2023

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 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.

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 not changed 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 18. 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, and life sciences, 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.

Strategic Report (continuation)

for the year ended 31 December 2023

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 7 to 10 gives information on the future outlook of the Group, including the main trends and factors likely to affect its future development.

Key Performance Indicators (KPIs)

The key performance indicators currently used 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 11 to 13.

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 a 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 given a senior employee the responsibility 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. The responsible employee 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 2023.

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

Strategic Report (continuation)

for the year ended 31 December 2023

UK

Energy consumption used to calculate emissions:	2023 KwH	2022 KwH
Electricity usage	35,909	61,321
Transport	7,826	3,044

Conversion factors used to calculate emissions:	2023	2022
Electricity usage (scope 2)	0.20496	0.19121
Transport (scope 1)	0.27588	0.2781

The 2023 emission conversion factors are based on the UK Government GHG Conversion Factors for Company Reporting 2023.

Calculated emissions	2023 Tonnes of CO_2	2022 Tonnes of CO_2
Electricity usage	7	12
Transport	2	1
Total	**9**	**13**

The rate of emissions per £m of turnover is 0.18 (2022: 0.19) tonnes of CO_2.

Group

Energy consumption used to calculate emissions:	2023 KwH	2022 KwH
Electricity usage	1,822,783	1,526,111
Gas usage	98,981	122,758
Transport	295,457	84,496

Conversion factors used to calculate emissions:	2023	2022
Electricity usage (scope 2)	0.20496	0.19121
Gas usage (scope 2)	0.20267	0.20227
Transport (scope 1)	0.26900	0.2557

The emission conversion factors are based on the UK Government GHG Conversion Factors for Company Reporting 2023.

Calculated emissions	2023 Tonnes of CO_2	2022 Tonnes of CO_2
Electricity usage	374	292
Gas usage	20	25
Transport	79	21
Total	**473**	**338**

The rate of emissions per £m of turnover is 8.99 (2022: 5.07) tonnes of CO_2.

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 Group has noted the updated QCA Code which will come into force for accounting periods commencing on or after 1 April 2024, and is considering its implications.

Strategic Report (continuation)

for the year ended 31 December 2023

The Executive Chairman's and Chief Financial Officer's statements describe the Group's activities, strategy and future prospects, including the considerations for long term decision making on pages 7 to 13. The Board considers that its response to changes in the market 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.

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 24 to 26.

The Strategic Report was approved by the Board on 20 March 2024 and signed on its behalf by:

Stephen Young
Chief Financial Officer

Report of the Directors

for the year ended 31 December 2023

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 2023.

Corporate details

EKF Diagnostics Holdings Plc is a company incorporated in England and Wales 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.

Directors

The Directors who held office during the year and as at the date of signing the financial statements were as follows:

- Julian Baines
- Christopher Mills
- Christian Rigg
- Jennifer Winter
- Stephen Young (appointed 12 September 2023)
- Marc Davies (resigned 29 September 2023)
- Michael Salter (resigned 6 February 2023)

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.

Mike Salter resigned as a director on 6 February 2023. Marc Davies resigned as a director on 29 September 2023. 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 7 to 10, the Chief Financial Officer's Review on pages 11 to 13, and the Strategic Report on pages 16 to 20.

Dividends and share buy back

In December 2023 the Company paid a final dividend for 2022 of 1.2p (2021: 1.2p) per share. Based on the need for continued investment in our core areas the Board has decided that it would be prudent to discontinue dividend payments and to enhance shareholder value mainly through growth.

The Company holds authorisation to acquire up to approximately 15% of its Ordinary Shares in order to reduce the number of shares in issue. No shares (2022: 9,000,000 shares) were acquired for cash under this authorisation during the year. As consideration for the disposal of ADL Health during 2023, 1,200,000 Ordinary Shares of 1p each, with a nominal value of £12,000, were returned to the Group. The market value of the shares was 28.65p and the gross value was £343,800. The shares are held in treasury. 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.

The business continues to grow its core base under both Point of Care and by 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 loan funding from HSBC UK of £3m and a committed £3m of funding from the North Atlantic Smaller Companies Investment Trust which remains undrawn.

Considering the range of sensitivities which account for a severe downturn versus expectation in 2024, 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 12 months from the date of this report. 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 16 to 20.

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 16 to 20.

Streamlined Energy and Carbon Reporting (SECR)

SECR reporting is included in the Strategic Report on page 19.

Report of the Directors (continuation)

for the year ended 31 December 2023

Directors' interests

The interests in the share capital of the Company of those Directors serving at 31 December 2023, all of which are beneficial, are set out below. Other than as noted below there were no changes to the Directors' interests in the share capital of the Company between 31 December 2023 and the date of the signing of these financial statements.

	On 31 December 2023[1] Ordinary Shares of 1p each	On 31 December 2022[2] Ordinary Shares of 1p each
Christopher Mills	132,150,000	132,150,000
Julian Baines	1,616,288	1,616,288
Stephen Young	85,000	85,000
Christian Rigg	-	-
Jennifer Winter	-	-

[1] or date of resignation if earlier
[2] or date of appointment if later

Mr Mills holds 150,000 Ordinary shares in his own name. On 9 January 2024, funds connected with Mr Mills purchased a further 100,000 shares at a price of 30p per share. Mr Mills' other interest in the Company's shares is held through North Atlantic Smaller Companies Investment Trust PLC ("NASCIT") and Oryx International Growth 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% of the shares in Oryx in his own name as well as a further 52.68% of the shares in Oryx via his 27.74% shareholding in NASCIT.

Substantial shareholdings

As at 20 March 2024, 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	132,250,000	29.15%
LionTrust Asset Management	54,419,493	11.99%
Gresham House	49,788,498	10.97%
Schroder Investment Management	24,506,709	5.40%
Stockinvest Limited	19,065,000	4.20%
Morgan Stanley	14,581,722	3.21%

The interests disclosed above are those as at 28 February 2024, updated for any substantial shareholding notifications received up to 20 March 2024. The above holdings consist solely of Ordinary Shares.

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.

Report of the Directors (continuation)

for the year ended 31 December 2023

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.

Corporate governance

The Company's statement of corporate governance can be found in the Corporate Governance Statement on pages 24 to 26 of these financial statements. The Corporate Governance Statement forms part of this Report of the Directors and is incorporated into it by cross-reference.

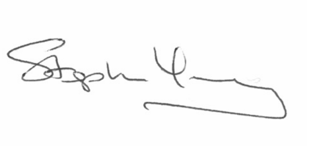
Annual General Meeting

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 80 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 20 March 2024 and signed on its behalf by:



Stephen Young
Chief Financial Officer

Corporate Governance Statement

for the year ended 31 December 2023

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).

The following statement describes how the Group as at 31 December 2023 sought to address the principles underlying the Code. The QCA has issued an update to the code which takes effect for financial years commencing on or after 1 April 2024, which the Group will be adopting.

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. Later, Marc Davies resigned as a Director on 29 September 2023 and Stephen Young was appointed as an Executive Director on 12 September 2023. As a result the Board currently comprises two Executive Directors and three Non-Executive Directors.

It is the Board's opinion that the two directors, Christian Rigg and Jennifer Winter 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 16 to 20.

For the immediate future 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.

A Senior Management Group of four senior managers has been put in place to assist the Executive Directors with their responsibilities.

Board meetings

Seven 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:

Julian Baines (Executive Chair)	7 (7)
Stephen Young (Chief Financial Officer)	1 (1)
Christopher Mills (Non-Executive Director)	7 (7)
Chris Rigg (Non-Executive Director)	7 (7)
Jennifer Winter (Non-Executive Director)	7 (7)
Michael Salter (Former Chief Executive)	1 (1)
Marc Davies (Former Chief Financial Officer)	5 (6)

Mr Young works full time for the Group. Mr Baines is working for the Group on a part-time basis for a minimum of 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

Corporate Governance Statement (continuation)

for the year ended 31 December 2023

Board remain effective. The changes in the board structure during the year made it impractical to have an evaluation during the year. A further evaluation is planned to take place in 2024.

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

Audit Committee

This 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. 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 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 have not provided 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 three times formally during 2023. 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 28 to 34.

Remuneration and Nomination 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 their own remuneration.

The Remuneration Committee is now made up of Chris Rigg and Jenny Winter. The Committee considers the employment and performance of individual Executive Directors and determines their terms of service and remuneration. It also has authority to grant options under the Company's Executive Share Option Scheme.

The Committee met twice during 2023. All eligible members attended all meetings. During the reporting period the Committee reviewed the Terms of Reference and these updated terms were adopted by the Board in May 2023.

Where necessary, the remuneration committee also considers director nominations.

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 2024.

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.

Corporate Governance Statement (continuation)

for the year ended 31 December 2023

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:

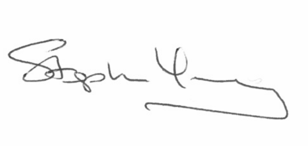
Tel: 029 2071 0570
Email: investors@ekfdiagnostics.com

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 20 March 2024 and signed on its behalf by:



Stephen Young
Chief Financial Officer

Report of the Remuneration Committee

for the year ended 31 December 2023

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 Young's salary was determined based on his skills and experience and market conditions. As at the date of this report, no new remuneration arrangements had been made for the Directors in 2024.

Directors' remuneration - Audited

The remuneration of the Directors for qualifying services for the years ended 31 December 2023 and 31 December 2022 are shown in the table below:

	Salary and fees £'000	Benefits in kind £'000	Bonus £'000	Pension £'000	2023 £'000	2022 £'000
Executive Directors						
Julian Baines	235	6	-	12	**253**	84
Stephen Young	72	7	-	8	**87**	-
Michael Salter	72	2	-	-	**74**	406
Marc Davies	185	10	50	9	**254**	305
	564	**25**	**50**	**29**	**668**	**795**
Non-Executive Directors						
Christopher Mills	50	-	-	-	**50**	50
Christian Rigg	50	-	-	-	**50**	50
Jennifer Winter	50	-	-	-	**50**	46
Carl Contadini	-	-	-	-	**-**	8
	150	-	-	-	**150**	154
Total fees and emoluments	**714**	**25**	**50**	**29**	**818**	**949**

Mr Baines remuneration covers his service as both an Executive and as a Non-Executive Director. Of his total remuneration in 2023, £7,000 (2022: £25,000) related to his service as a Non- Executive Director. Mr Young's remuneration covers the period from his appointment in July 2023. Mr Salter resigned as a director on 6 February 2023. His remuneration covers the period to 31 March 2023 when he left the Group. Mr Davies resigned as a director on 29 September 2023. His remuneration includes payment in lieu for untaken holidays. No payments for loss of office were made to either Mr Salter or Mr Davies. Ms Winter's 2022 remuneration covers the period from her appointment on 1 February 2022. Mr Contadini's remuneration in 2022 covers his service as a director up until his resignation, plus a payment in lieu of notice.

There have been no changes to the directors' remuneration policy during the year.

Directors' bonuses, share options and Long-Term Incentive Plan

No director holds options under any share option plan. On Mr Salter's resignation as Chief Executive Officer on 6 February 2023, the cash settled share based incentive scheme lapsed. There is no long-term incentive plan in place. Bonus payments are discretionary and determined by the Remuneration Committee. They are not subject to formal performance metrics or targets. There are no formal arrangements in place for 2024.

Directors' interests in the share capital of the Company are disclosed in the Directors' Report on pages 21 to 23.

Approved by the Board on 20 March 2024 and signed on its behalf by:

Stephen Young

Stephen Young
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 2023 and of the group's profit 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 2023; 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, comprising material accounting policy information and other explanatory information.

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 86% of the Group's revenues and 79% of adjusted EBITDA for the year ended 31 December 2023.
- 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 full-scope 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)
- Classification of exceptional items (group)

Materiality

- Overall group materiality: £310,000 (2022: £413,700) based on 2.5% of the average Adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) over the past 2 years.
- Overall company materiality: £294,500 (2022: £350,000) based on 1% of total assets (capped by overall group materiality).
- Performance materiality: £232,500 (2022: £310,275) (group) and £220,875 (2022: £262,500) (company).

Independent auditors' report to the members of EKF Diagnostics Holdings Plc Report on the audit of the financial statements (continuation)

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 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.

The valuation of inventory relevant to the company balance sheet, which was a key audit matter last year, is no longer included because of the company ceasing UK trading activity during the year and as such the parent company has no inventory on its balance sheet at year end. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of EKF Diagnostics Holdings Plc Report on the audit of the financial statements (continuation)

Key audit matter	How our audit addressed the key audit matter
Recoverability of Group goodwill and the Company's investment in subsidiaries (group and parent) As at 31 December 2023, the Consolidated Statement of Financial Position includes £30.2m (2022: £33.8m) of intangible assets, of which £24.4m is goodwill (2022: £25.1m), and £5.8m is amortised intangible assets (2022: £8.7m). The investments in subsidiaries included in the Company Statement of Financial Position as at 31 December 2023 is £30.1m (2022: £30.8m). 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, particularly in relation to the Stanbio CGU where there is reduced headroom. The sensitivity of these key assumptions are detailed in note 19, Intangible assets and note 20, Investments in subsidiaries.	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. 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 will be 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 no impairment charge is required.
Valuation of inventory (group) The Group's accounting policy is to state inventories at the lower of cost and net realizable value. As at 31 December 2023, the Consolidated Statement of Financial Position includes gross unimpaired inventories of £15.3m (2022: £17.2m), with total provisions of £6.6m (2022: £7.8m) reducing this balance to the net realizable value of £8.8m (2022: £9.4m). The significant level of provisions 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 25 for further disclosures relating to inventories.	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 2023 and Q1 2024 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.
Classification of exceptional items (group) 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 £2.8m have been disclosed on the face of the Consolidated Income Statement. These primarily relate to business reorganisation and disposal costs as the business restructures away from COVID-19 related activities and focuses on the Point-of-Care and Life Science markets. 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. See note 8 for further disclosures relating to exceptional items.	We tested the classification of exceptional items by examining supporting information such as third-party contracts and the supporting information for impairments. 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.

Independent auditors' report to the members of EKF Diagnostics Holdings Plc Report on the audit of the financial statements (continuation)

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). The UK also undertook some manufacturing activities and recognised external revenues but these ceased in Q1 2023 as part of the Board's decision to pivot away from COVID-19 activity. 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 as capped by the allocation of component materiality for the purposes of the group audit. Our audit addressed components making up 86% of the group's 2023 revenues and 79% of adjusted EBITDA, with desktop review procedures undertaken over all non-significant components. Due to the significance of the balance compared to the Group total, 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
Overall materiality	£310,000 (2022: £413,700).	£294,500 (2022: £350,000).
How we determined it	2.5% of the average Adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) over the past 2 years	1% of total assets (capped by overall group materiality)
Rationale for benchmark applied	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. There has been a change in basis in the current year materiality, utilising Adjusted EBITDA due to the impact of transitory issues on profit before tax, that are not considered to reflect the past or future performance of the group, and to align with the focus of users of the financial statements on the key Adjusted EBITDA metric. A 2-year average of the benchmark has been applied in calculating materiality due to the 2023 impact of investing in the South Bend site and finalising the group's transition away from COVID-19, which is considered to suppress the underlying performance of the group. A 3 year benchmark was not considered appropriate as the 2021 year end contained substantial COVID-19 profits that are no longer representative of the on-going business.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the company is primarily an investment holding company for the group and has not been revenue generating since early 2023. The rationale is consistent with the previous year.

Independent auditors' report to the members of EKF Diagnostics Holdings Plc Report on the audit of the financial statements (continuation)

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £149,000 and £298,000. 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% (2022: 75%) of overall materiality, amounting to £232,500 (2022: £310,275) for the group financial statements and £220,875 (2022: £262,500) 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 at the upper 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 £15,500 (group audit) (2022: £20,685) and £14,725 (company audit) (2022: £17,500) 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 and confirming compliance with financial covenants under both the base case and downside scenarios.
- 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.

Independent auditors' report to the members of EKF Diagnostics Holdings Plc Report on the audit of the financial statements (continuation)

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 2023 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.

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), specific international sanctions 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, in particular any journal entries posted with unusual account combinations and consolidation journals.

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.

Independent auditors' report to the members of EKF Diagnostics Holdings Plc Report on the audit of the financial statements (continuation)

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. This description forms part of our auditors' report.

Use of this report

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

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

Cardiff
20 March 2024

Consolidated Income Statement

for the year ended 31 December 2023

Continuing operations	Notes	2023 £'000	2022 £'000
Revenue	5	**52,611**	66,635
Cost of sales	6	**(28,175)**	(35,823)
Exceptional items – other charged to cost of sales	8	**(577)**	(6,774)
Gross profit		**23,859**	24,038
Administrative expenses	6	**(19,680)**	(23,177)
Exceptional items – impairment of assets	8	**(961)**	(10,384)
Exceptional items – other	8	**(1,295)**	(367)
Other income	7	**158**	919
Operating profit/(loss)		**2,081**	(8,971)
Depreciation and amortisation	6	**(5,472)**	(6,658)
Share-based payments		**2**	308
Exceptional items	8	**(2,833)**	(17,525)
EBITDA before exceptional items and share-based payments	5	**10,384**	14,904
Finance income	13	**125**	131
Finance costs	13	**(75)**	(102)
Profit/(loss) before income tax		**2,131**	(8,942)
Income tax credit/(charge)	14	**600**	(634)
Profit/(loss) for the year		**2,731**	(9,576)
Profit/(loss) attributable to:			
Owners of the parent		**2,352**	(10,101)
Non-controlling interest		**379**	525
		2,731	(9,576)

	Notes	Pence	Pence
Earnings/(loss) per Ordinary Share attributable to the owners of the parent during the year			
Basic	15	**0.52**	(2.21)
Diluted	15	**0.52**	(2.21)

The notes on pages 41 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Profit/(loss) for the year		**2,731**	(9,576)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss Changes in fair value of equity instruments at fair value through other comprehensive income/(loss) (net of tax)	33	**489**	(6,096)
Items that may be subsequently reclassified to profit or loss Currency translation differences on translation of foreign operations		**(3,564)**	6,811
Other comprehensive income/(loss) (net of tax)		**(3,075)**	715
Total comprehensive loss for the year		**(344)**	(8,861)
Attributable to:			
Owners of the parent		**(438)**	(9,420)
Non-controlling interests		**94**	559
Total comprehensive loss for the year		**(344)**	(8,861)

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

The notes on pages 41 to 79 are an integral part of these consolidated financial statements.

Consolidated and Company's Statement of Financial Position

As at 31 December 2023

	Note	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Assets					
Non-current assets					
Property, plant and equipment	17	**23,744**	20,435	**20**	231
Right-of-use asset	18	**1,031**	1,279	**-**	136
Investment property	17	**-**	-	**1,193**	1,232
Intangible assets	19	**30,224**	33,772	**708**	883
Investments in subsidiaries	20	**-**	-	**30,149**	30,831
Investments	22	**276**	1,119	**276**	1,119
Deferred tax assets	30	**18**	925	**-**	-
Total non-current assets		**55,293**	57,530	**32,346**	34,432
Current assets					
Inventories	25	**8,766**	9,434	**-**	68
Trade and other receivables	24	**6,787**	10,739	**2,013**	2,332
Current income tax receivable		**2,277**	10	**-**	-
Cash and cash equivalents (including restricted cash of £1,706,000 (2022: £2,366,000))	26	**7,726**	11,578	**796**	653
Total current assets		**25,556**	31,761	**2,809**	3,053
Total assets		**80,849**	89,291	**35,155**	37,485
Equity attributable to owners of the parent					
Share capital	31	**4,537**	4,549	**4,537**	4,549
Share premium	31	**7,375**	7,375	**7,375**	7,375
Other equity - Ordinary shares held in treasury	31	**12**	-	**12**	-
Other reserves	33	**80**	(629)	**80**	(670)
Foreign currency reserves		**6,356**	9,590	**-**	-
Retained earnings		**48,757**	52,461	**6,173**	11,380
		67,117	73,346	**18,177**	22,634
Non-controlling interest		**1,100**	1,177	**-**	-
Total equity		**68,217**	74,523	**18,177**	22,634
Liabilities					
Non-current liabilities					
Borrowings	28	**-**	-	**-**	-
Lease liabilities	18	**618**	537	**-**	40
Deferred consideration	29	**-**	-	**-**	-
Deferred tax liabilities	30	**2,517**	2,493	**-**	-
Total non-current liabilities		**3,135**	3,030	**-**	40
Current liabilities					
Trade and other payables	27	**5,512**	8,288	**13,952**	14,644
Lease liabilities	18	**495**	873	**40**	167
Current income tax liabilities		**504**	2,440	**-**	-
Borrowings	28	**2,986**	137	**2,986**	-
Total current liabilities		**9,497**	11,738	**16,978**	14,811
Total liabilities		**12,632**	14,768	**16,978**	14,851
Total equity and liabilities		**80,849**	89,291	**35,155**	37,485

The notes on pages 41 to 79 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 profit for the Parent Company for the year was £846,000 (2022: loss of £9,565,000).
The financial statements were approved and authorised for issue by the Board on 20 March 2024 and signed on its behalf by:

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

Stephen Young
Chief Financial Officer

Consolidated and Company’s Statement of Cash Flows

for the year ended 31 December 2023

	Note	**Group 2023 £’000**	Group 2022 £’000	**Company 2023 £’000**	Company 2022 £’000
Cash flow from operating activities					
Cash generated from operations	36	**8,823**	12,655	**1,485**	9,470
Interest received		**125**	85	**-**	10
Interest received		**(47)**	(46)	**(7)**	-
Income tax paid		**(2,590)**	(3,006)	**(21)**	(539)
Net cash generated from operating activities		**6,311**	9,688	**1,457**	8,941
Cash flow from investing activities					
Payment for investments		**-**	(2,930)	**-**	(2,930)
Payment for property, plant and equipment (PPE)		**(6,598)**	(4,434)	**(8)**	(102)
Payment for intangibles		**(377)**	(1,394)	**-**	(371)
Payment for acquisition of subsidiaries, net of cash acquired		**-**	(403)	**-**	(403)
Proceeds from sale of PPE	36	**-**	229	**-**	-
Proceeds from sale of investments		**1,333**	-	**1,333**	-
Net cash (used in)/generated from investing activities		**(5,642)**	(8,932)	**1,325**	(3,806)
Cash flow from financing activities					
Payment for shares bought back	31	**-**	(3,896)	**-**	(3,896)
Dividends paid to company shareholders		**(5,445)**	(5,459)	**(5,445)**	(5,459)
Repayments of borrowings		**(137)**	(613)	**-**	-
Proceeds from new borrowings		**3,000**	-	**3,000**	-
Fees for new borrowing		**(14)**	-	**(14)**	-
Principal elements of lease payments		**(879)**	(1,071)	**(167)**	(191)
Dividend payment to non-controlling interest		**(171)**	-	**-**	-
Net cash used in financing activities		**(3,646)**	(11,039)	**(2,626)**	(9,546)
Net (decrease)/increase in cash and cash equivalents		**(2,977)**	(10,283)	**156**	(4,411)
Cash and cash equivalents at beginning of year		**11,578**	20,341	**653**	4,879
Exchange (losses)/gains on cash and cash equivalents		**(875)**	1,520	**(13)**	185
Cash and cash equivalents at end of year	26	**7,726**	11,578	**796**	653

Cash and cash equivalents totalling £1,706,000 (2022: £2,366,000) 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 2023

Consolidated	Note	Share capital £'000	Share premium account £'000	Other equity £'000	Other reserves £'000	Foreign currency reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
At 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 income			-	-	(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**
Comprehensive income/(expense)										
Profit for the year		-	-	-	-	-	2,352	2,352	379	2,731
Other comprehensive income/(expense)										
Changes in fair value of equity instruments at fair value through other comprehensive income		-	-	-	489	-	-	489	-	489
Reserves transfer					262	-	(262)	-	-	-
Currency translation differences		-	-	-	(1)	(3,234)	(44)	(3,279)	(285)	(3,564)
Total comprehensive income/(expense)		**-**	**-**	**-**	**750**	**(3,234)**	**2,046**	**(438)**	**94**	**(344)**
Transactions with owners										
Ordinary shares acquired		(12)	-	12	-	-	(344)	(344)	-	(344)
Reserve transfer		-	-	-	(41)	-	41	-	-	-
Dividends to non-controlling interest		-	-	-	-	-	-	-	(171)	(171)
Dividends to owners		-	-	-	-	-	(5,445)	(5,445)	-	(5,445)
Share-based payment reserve		-	-	-	-	-	(2)	(2)	-	(2)
Total distributions to owners		**(12)**	**-**	**12**	**(41)**	**-**	**(5,750)**	**(5,791)**	**(171)**	**(5,962)**
At 31 December 2023		**4,537**	**7,375**	**12**	**80**	**6,356**	**48,757**	**67,117**	**1,100**	**68,217**

Company Statement of Changes in Equity

For the year ended 31 December 2023

Company	Share capital £'000	Share premium £'000	Other equity £000	Other reserves £'000	Retained earnings £'000	Total £'000
At 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 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**
Comprehensive (expense)/income						
Profit for the year	-	-	-	-	846	846
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	489	-	489
Reserves transfer	-	-	-	262	(262)	-
Currency translation differences	-	-	-	(1)	-	(1)
Total comprehensive income	**-**	**-**	**-**	**750**	**584**	**1,334**
Transactions with owners						
Ordinary shares acquired	(12)	-	12	-	(344)	(344)
Share-based payment reserve	-	-	-	-	(2)	(2)
Dividends to owners	-	-	-	-	(5,445)	(5,445)
Total contributions by and distributions to owners	**(12)**	**-**	**12**	**-**	**(5,791)**	**(5,791)**
At 31 December 2023	**4,537**	**7,375**	**12**	**80**	**6,173**	**18,177**

Notes to the Financial Statements

for the year ended 31 December 2023

1. General information

EKF Diagnostics Holdings Plc is a company incorporated in England and Wales 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 operates. 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 Plc and its Group 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 or considered the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- Insurance Contracts – IFRS 17
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12

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 2023 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 2024, 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 meet its liabilities as they fall due throughout the going concern period. The directors note the Company has net current liabilities as at 31 December 2023 and at 31 December 2022, however the majority of the current creditors are in the form of intercompany creditors to subsidiary companies and the timing of settlements is within the control of the company.

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, during 2023 the Group has undertaken cost reductions, and secured a committed loan of £3m from HSBC. It also retains access to £3m of funding from North Atlantic Smaller Companies Investment Trust, which is available until March 2026.

Considering the range of sensitivities which account for a severe downturn versus expectation in 2024, plus the range of

Notes to the Financial Statements

for the year ended 31 December 2023

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 12 months from the date of this report. 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 during 2023 is by geography.

Notes to the Financial Statements

for the year ended 31 December 2023

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

Buildings	2%–2.5%
Leasehold improvements	20% or over the life of the lease if under 5 years
Fixtures and fittings	16.7%–33.3%
Plant and machinery	6.7%–33.3%
Motor vehicles	25%

From 2023 certain large scale fermenters are depreciated over their estimated life of 15 years.

Assets under construction are stated at historical cost. Depreciation commences when the asset is placed into service.

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.

Investments in subsidiaries

Occassionally the company performs group restructuring activities which involve the transfer of assets to other subsidiary companies. Where no value is being lost to the Group, the policy is to transfer the investment value in between subsidiaries in line with the conceptual framework. There is no effect on consolidation as the investment values are eliminated.

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.

Notes to the Financial Statements

for the year ended 31 December 2023

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.

(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.

Such internally generated development costs are amortised over the estimated useful life of the products with which they are associated, currently 3 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.

Notes to the Financial Statements

for the year ended 31 December 2023

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in the prior period. A reversal of an impairment loss is recognised in the income statement immediately. If goodwill is impaired however, no reversal of the impairment is recognised in the financial statements.

Financial assets

Classification

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

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

(a) Financial assets at amortised cost

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

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

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

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

(c) Financial assets at fair value through Other Comprehensive Income

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

Notes to the Financial Statements

for the year ended 31 December 2023

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 the Company purchases any of the Company's equity instruments, for example as the result of a share buyback, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the owners of the company as treasury shares until the shares are cancelled or reissued. Where the shares are subsequently cancelled, the nominal value of shares is deducted from the value of equity and credited to the Capital Redemption reserve. The amount paid is debited to reserves.

Financial liabilities

Debt is measured at fair value, being net proceeds after deduction of directly attributable issue costs, with subsequent measurement at amortised cost with the exception of deferred equity consideration which is categorised as a financial liability at fair value through profit and loss. Debt issue costs are recognised in the income statement over the expected term of such instruments at a constant rate on the carrying amount.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

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

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

Current and deferred income tax

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

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

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.

Notes to the Financial Statements

for the year ended 31 December 2023

Leases

The Group and Company's leasing policy is described in Note 18.

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

Until 2023 the Group operated 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 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.

(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. Services sold mainly consist of repairs, shipping and handling, as well as testing carried out by ADL Health prior to its disposal.

Goods are often sold with retrospective volume discounts based on aggregate sales over a period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as an accrual.

Notes to the Financial Statements

for the year ended 31 December 2023

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 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 reorganisation costs.

3. Financial risk management

Financial risk factors

The Group and Company's activities expose it to a variety of financial risks: market risk (foreign exchange risk and cash flow interest rate risk), credit risk, liquidity risk, capital risk and fair value risk. The Group and Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group and Company's financial performance. The Group and Company do not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by the head office finance team. It evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management whilst the head office finance team provides specific policy guidance for the operating units in terms of managing foreign exchange risk, credit risk and cash and liquidity management.

(a) Market risk

(i) Foreign exchange – cash flow risk
The Group and Company's presentational currency is sterling although the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between GBP, USD, the Euro, and Rouble, such that the Group's cash flows are affected by fluctuations in the rate of exchange between GBP and the aforementioned foreign currencies.

This exposure is managed by a natural currency hedge as the Group's operating subsidiaries cost base is also denominated mainly in USDs, Euros, and Roubles, as the Group has subsidiary businesses located in the USA, Germany, and Russia.

Management do not use derivative financial instruments to mitigate the impact of any residual foreign currency exposure not mitigated by the natural hedge within the business model. The Group and Company do not speculate in foreign currencies and no operating Company is permitted to take unmatched positions in any foreign currency.

(ii) Foreign exchange – Fair value risk
Translation exposures that arise on converting the results of overseas subsidiaries are not hedged. Net assets held in foreign currencies are hedged wherever practical by matching borrowings in the same currency. The principal exchange rates used by the Group and Company in translating overseas profits and net assets into GBP are set out in the table below.

Rate compared to GBP	**Average rate 2023**	Average rate 2022	**Year end rate 2023**	Year end rate 2022
Euro	**1.150**	1.172	**1.153**	1.128
Russian Rouble	**105.774**	86.966	**113.796**	88.98
US Dollar	**1.244**	1.242	**1.273**	1.210

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 £64,000 (2022:

Notes to the Financial Statements

for the year ended 31 December 2023

£76,000), £61,000 (2022: £89,000), and £11,000 (2022: £15,000) respectively. In the case of the Russian Rouble, a 15% movement would impact annual earnings by £140,000. 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 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 2023:					
Borrowings	3,000	-	-	-	**3,000**
Lease liabilities	525	266	407	-	**1,198**
Trade and other payables	5,512	-	-	-	**5,512**
At 31 December 2022:					
Borrowings	137	-	-	-	**137**
Lease liabilities	896	432	115	-	**1,443**
Trade and other payables	8,132	-	-	-	**8,132**

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

Notes to the Financial Statements

for the year ended 31 December 2023

(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.

	2023 £'000	2022 £'000
Net cash	**3,627**	10,031
Total capital	**71,844**	84,554
Ratio	**(5.0%)**	(11.9%)

Dividends on ordinary shares

Group and Company	**2023 £'000**	2022 £'000
Final dividend of 1.2p (2022: 1.2p) per ordinary share	**5,445**	5,459
Dividend in specie of shares in Verici Dx plc at fair value	**-**	2,002

(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. The Renalytix shares were sold during the year.

Group and Company	**2023 £'000**	2022 £'000
AIM listed ordinary shares – Renalytix plc	**-**	827
AIM listed ordinary shares – Verici Dx plc	**74**	90

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 2023 or 2022.

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.

Inventory provisions

The Group makes provisions for slow-moving and obsolete inventory. While the majority of provisions are set using a standard model, management uses judgement and estimates when considering the appropriate inputs to the model, and also when assessing inventory to determine whether use of the standard model is appropriate in the circumstances or whether adjustments should be made to increase or decrease the standard provision.

Notes to the Financial Statements

for the year ended 31 December 2023

A significant proportion of the provisions recognised (where such judgment has been applied) relate to excess COVID-19 and other inventories following the decision to pivot away from these product lines. Provisions relating to these inventory items amount to £4.3m, reflecting a provision rate of 100%. A reduction of 10% in management's provisioning rate would lead to a reduction in the provision (and a corresponding credit to the Income Statement) of £0.4m. Further details of inventory provisions are set out in Note 25.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size and incidence if the financial statements are to give a true and fair view. The Group uses its judgement and experience to determine whether items should be treated as exceptional. See Note 8.

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. Details of trading and assets in Russia are shown in Note 5.

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 2023

5. Segmental reporting *(continued)*

The segment information provided to the Board for the reportable segments for the year ended 31 December 2023 is as follows:

2023	Germany £'000	USA £'000	Russia^ £'000	UK £'000	Total £'000
Income statement					
Revenue	27,122	26,133	3,568	816	57,639
Inter-segment	(5,027)	-	-	(1)	(5,028)
External revenue	**22,095**	**26,133**	**3,568**	**815**	**52,611**
Adjusted EBITDA*	**6,459**	**6,851**	**1,092**	**(4,018)**	**10,384**
Exceptional items – other, charged to cost of sales	205	(775)	-	(7)	(577)
Exceptional items – impairments (Note 8)	(677)	(120)	-	(164)	(961)
Exceptional items – other	(86)	(1,186)	-	(23)	(1,295)
Share-based payments (Note 32)	-	-	-	2	2
EBITDA	**5,901**	**4,770**	**1,092**	**(4,210)**	**7,553**
Depreciation	(907)	(2,065)	(37)	(267)	(3,276)
Amortisation	(1,182)	(929)	-	(85)	(2,196)
Operating profit	**3,812**	**1,776**	**1,055**	**(4,562)**	**2,081**
Finance income					125
Finance cost					(75)
Income tax					600
Profit for the year					**2,731**
Segment assets					
Operating assets	42,131	53,717	1,271	9,304	106,423
Inter-segment assets	(10,818)	(20,493)	(210)	(1,779)	(33,300)
External operating assets	31,313	33,224	1,061	7,525	73,123
Cash	1,269	3,955	1,706	796	7,726
Total assets	**32,582**	**37,179**	**2,767**	**8,321**	**80,849**
Segment liabilities					
Operating liabilities	4,959	23,125	160	14,702	42,946
Inter-segment liabilities	(770)	(19,184)	-	(13,346)	(33,300)
External operating liabilities	4,189	3,941	160	1,356	9,646
Borrowings (excluding lease liabilities)	-	-	-	2,986	2,986
Total liabilities	**4,189**	**3,941**	**160**	**4,342**	**12,632**
Other segmental information					
Non-current assets – PPE	6,176	15,834	138	1,596	23,744
Non-current assets – Intangibles	18,117	7,650	68	4,389	30,224
PPE – additions	1,307	6,039	56	8	7,410
Intangible assets – additions	314	63	-	-	377

** Adjusted EBITDA excludes exceptional items and share-based payments. The UK includes head office costs.*
^ relates to a subsidiary with a non-controlling interest

Notes to the Financial Statements

for the year ended 31 December 2023

5. Segmental reporting *(continued)*

2022	Germany £'000	USA £'000	Russia^ £'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 - other, charged to cost of sales	(1,701)	(4,767)	-	(306)	(6,774)
Exceptional items - impairments (Note 8)	(32)	(10,324)	-	(28)	(10,384)
Exceptional items - other	(156)	(142)	-	(69)	(367)
Share-based payments (Note 32)	-	-	-	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*

^ *relates to a subsidiary with a non-controlling interest*

Notes to the Financial Statements

for the year ended 31 December 2023

5. Segmental reporting *(continued)*

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

	2023 £'000	2022 £'000
Americas		
United States of America	**21,187**	30,941
Rest of Americas	**3,791**	4,126
Europe, Middle East and Africa (EMEA)		
Germany	**8,231**	8,001
United Kingdom	**767**	1,886
Ireland	**1,277**	5,253
Rest of Europe	**4,094**	3,715
Russia	**3,568**	4,202
Middle East	**1,656**	1,449
Africa	**2,805**	1,945
Asia and Rest of World		
China	**1,246**	1,014
Rest of Asia and Oceania	**3,989**	4,103
Total revenue	**52,611**	66,635

In 2023 and 2022 no customer represented more than 10% of revenues.

6. Expenses – analysis by nature

	2023 £'000	2022 £'000
Inventories consumed in cost of sales	**18,174**	24,612
Employee benefit expense (note 11)	**19,363**	22,176
Employee costs capitalised as intangible assets	**(205)**	(818)
Depreciation and amortisation	**5,472**	6,658
Exceptional items – other, charged to cost of sales (note 8)	**577**	6,774
Exceptional items – impairment (note 8)	**961**	10,384
Exceptional items – other (note 8)	**1,295**	367
Research and development expenses	**1,823**	1,518
Foreign exchange	**(7)**	(71)
Other expenses	**3,235**	4,925
Total cost of sales and administrative expenses	**50,688**	76,525

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

Notes to the Financial Statements

for the year ended 31 December 2023

7. Other income

	2023 £'000	2022 £'000
Receipt from a US customer	-	859
Other	**158**	60
Total	**158**	919

In May 2022 a US customer made a one-off $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.

8. Exceptional items

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

	Note	2023 £'000	2022 £'000
– Deferred consideration	a	-	2
– Business reorganisation costs – other charged to cost of sales	b	**(577)**	(6,774)
– Business reorganisation costs – Impairment	c	**(961)**	(10,384)
– Business reorganisation costs – other charged to operating expenses	d	**(1,295)**	(369)
Exceptional items		**(2,833)**	(17,525)

a. Change in the value of deferred consideration relating to the acquisition of Advanced Diagnostic Laboratory LLC.
b. Costs associated with the transition and restructure of certain operations in the UK and Germany, which have been charged to cost of sales. In 2023 the costs include provisions against certain COVID-19 related and other inventory totalling £0.5m and provisions for certain onerous contracts following the decision to focus on its other businesses.
c. In 2023 impairments associated with the transition and restructure of certain operations in the US, UK and Germany, which have been charged to operating expenses – including £0.9m relating to the impairment of R & D projects which no longer met the requirements of capitalisation.
d. In 2023 costs associated with the transition and restructure of certain operations in the US, UK and Germany, including £0.9m relating to ADL and redundancy costs (£0.2m) which have been charged to operating expenses.

9. Auditor's remuneration

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

	2023 £'000	2022 £'000
Fees payable to Company's auditors and its associates for the audit of the parent Company and consolidated financial statements	**271**	52
Fees payable to the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	**37**	155
	308	207

Notes to the Financial Statements

for the year ended 31 December 2023

10. Directors' emoluments

	2023 £'000	2022 £'000
Aggregate emoluments	**789**	934
Share-based payments	**-**	(308)
Contribution to defined contribution pension scheme	**29**	15
	818	641

Retirement benefits are accruing to 2 (2022: 2) current directors under a defined contribution scheme. See further disclosures within the Remuneration Report on page 27. The highest paid director received aggregate emoluments of £254,000 (2022: £305,000).

11. Employee benefit expense

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Wages and salaries	**16,019**	18,392	**2,430**	3,631
Social security costs	**2,803**	2,945	**343**	483
Share-based payments granted to Directors and senior management (Note 32)	**(2)**	(308)	**(2)**	(308)
Other pension costs (Note 34)	**338**	329	**79**	109
	19,158	21,358	**2,850**	3,915
Capitalised as development costs	**205**	818	**-**	-
	19,363	22,176	**2,850**	3,915

Employee costs of £0.2m (2022: £0.8m) have been capitalised as part of development costs in the Group.

12. Monthly average number of people employed

	Group 2023	Group 2022	**Company 2023**	Company 2022
Monthly average number of people (including Executive Directors) employed was:				
Administration	**57**	61	**12**	10
Research and development and regulatory	**39**	26	**-**	11
Sales and marketing	**57**	67	**12**	8
Manufacturing, production and after sales	**181**	218	**4**	16
	334	372	**28**	45

The total number of employees (FTEs) in the Group at 31 December 2023 was 317 (2022: 356), and in the Company was 21 (2022: 35).

Notes to the Financial Statements

for the year ended 31 December 2023

13. Finance income and costs

	2023 £'000	2022 £'000
Finance costs:		
– Bank borrowings	**(31)**	(10)
– Other interest	**(16)**	(46)
– IFRS 16 interest	**(28)**	(46)
Finance costs	**(75)**	(102)
Finance income:		
– Interest income on short term deposits	**121**	128
– Other interest	**4**	3
Finance income	**125**	131
Net finance income	**50**	29

14. Income tax (credit)/charge

Group	2023 £'000	2022 £'000
Current tax:		
Current tax on profit for the year	**1,182**	2,815
Adjustments for prior periods	**(2,729)**	62
Total current tax (credit)/charge	**(1,547)**	2,877
Deferred tax (note 30):		
Origination and reversal of temporary differences	**947**	(2,243)
Total deferred tax charge/(credit)	**947**	(2,243)
Income tax (credit)/charge	**(600)**	634

A change to the main UK corporation tax rate was substantively enacted on 24 May 2021. The rate applicable from 1 April 2023 increased to 25%. Deferred taxes at the reporting date have been measured using these enacted tax rates and reflected in these financial statements. For 2023 a blended rate of 23.5% has been used.

There is no income tax associated with components of other comprehensive income.

Notes to the Financial Statements

for the year ended 31 December 2023

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:

	2023 £'000	2022 £'000
Profit/(loss) before tax	**2,131**	(8,942)
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 23.5% (2022: 19%)	**501**	(1,699)
Tax effects of:		
– Expenses not deductible for tax purposes	**932**	1,225
– Income not subject to tax	**-**	(58)
– Effect of impairment of intangibles	**222**	942
- Current year temporary differences	**893**	-
– Losses carried forward	**(259)**	17
– Utilisation of losses	**(261)**	(182)
– Adjustment in respect of prior years	**(2,729)**	62
– Impact of different tax rates in other jurisdictions	**(63)**	260
– Other movements	**164**	67
Tax (credit)/charge	**(600)**	634

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.

	2023 £'000	2022 £'000
Profit/(loss) attributable to owners of the parent	**2,352**	(10,101)
Weighted average number of Ordinary Shares in issue	**454,105,359**	457,180,086
Basic profit/(loss) per share	**0.52 pence**	(2.21) pence

The remaining unapproved share options at 31 December 2022 consisted of 25,000 options which were issued on 21 January 2014 to a senior employee at an exercise price of 37.625p per share. In August 2022 the senior employee passed away and the options have now lapsed. There are therefore no outstanding share options at 31 December 2023. The number of shares in issue excludes 1,200,000 shares held in treasury.

16. Dividends

In December 2023, the Company paid a final dividend for 2022 of 1.2p (2021: 1.2p) per ordinary share, at a total value of £5,445,000 (2022: £5,459,000).

Based on the need for continued investment in our core areas the Board has decided that it would be prudent to discontinue dividend payments and to enhance shareholder value mainly through growth. The Board will however consider recommencing the payment of dividends if and when appropriate.

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. No distribution in specie was made in the current year.

Notes to the Financial Statements

for the year ended 31 December 2023

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 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**
Cost							
At 1 January 2023	**12,150**	**1,972**	**14,877**	**210**	**6,415**	**3,322**	**38,946**
Additions	2,581	108	2,179	55	1,876	611	7,410
Exchange differences	(409)	(38)	(499)	(44)	(300)	(143)	(1,433)
Transfers	195	(22)	6,569	-	(6,799)	-	(57)
Disposal of subsidiary	(4)	-	(1,543)	-	-	-	(1,547)
Disposals	-	(583)	(316)	(13)	(4)	(467)	(1,383)
At 31 December 2023	**14,513**	**1,437**	**21,267**	**208**	**1,188**	**3,323**	**41,936**
Accumulated depreciation							
At 1 January 2023	**3,344**	**1,371**	**10,397**	**77**	**-**	**2,043**	**17,232**
Charge for the year	676	299	1,565	20	-	716	3,276
Exchange differences	(146)	(25)	(361)	(16)	-	(75)	(623)
Transfers	-	-	(57)	-	-	-	(57)
Impairment	-	-	-	-	-	75	75
Disposal of subsidiary	(4)	-	(1,357)	-	-	-	(1,361)
Disposals	-	(580)	(325)	(9)	-	(467)	(1,381)
At 31 December 2023	**3,870**	**1,065**	**9,862**	**72**	**-**	**2,292**	**17,161**
Net book value at 31 December 2023	**10,643**	**372**	**11,405**	**136**	**1,188**	**1,031**	**24,775**

Depreciation expense of £1,626,000 (2022: £1,359,000) has been charged to cost of sales and £1,650,000 (2022: £1,739,000) 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. Charges were largely in 2022. Further detail on the impairment of ADL Health is provided in note 19.

Notes to the Financial Statements

for the year ended 31 December 2023

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 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**
Cost						
At 1 January 2023	-	1,670	584	53	563	2,870
Additions	-	-	8	-	-	8
Disposal	-	-	(403)	(53)	-	(456)
At 31 December 2023	**-**	**1,670**	**189**	**-**	**563**	**2,422**
Accumulated depreciation						
At 1 January 2023	-	438	406	-	427	1,271
Charge for the year	-	39	140	-	61	240
Impairment	-	-	-	-	75	75
Disposal	-	-	(377)	-	-	(377)
At 31 December 2023	**-**	**477**	**169**	**-**	**563**	**1,209**
Net book value at 31 December 2023	**-**	**1,193**	**20**	**-**	**-**	**1,213**

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 (£12,075) per month to the parent Company. €167,000 (£144,900) (2022: €167,000 (£141,785)) 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 2023

18. Leases

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Properties	**704**	911	**-**	133
Equipment	**205**	230	**-**	3
Motor vehicles	**122**	138	**-**	-
Total right-of-use	**1,031**	1,279	**-**	136

Lease liabilities	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Current	**495**	873	**40**	167
Non-current	**618**	537	**-**	40
Total lease liabilities	**1,113**	1,410	**40**	207

Additions to the right-of-use assets during the 2023 financial year were £611,000 (2022: £402,000) for the Group and £nil (2022: £nil) for the Company.

(ii) Amounts recognised in the statement of Comprehensive income

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

Depreciation charge right-of-use assets	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Properties	**562**	870	**59**	170
Equipment	**73**	79	**2**	2
Motor vehicles	**81**	67	**-**	-
Total right-of-use	**716**	1,016	**61**	172
Interest expense (included in finance cost)	**28**	46	**3**	8
Impairment charge - property	**75**	-	**75**	-

The total cash outflow for leases in 2023 was £879,000 (2022: £1,071,000) for the Group and £170,000 (2022: £191,000) for the Company.

Right of use assets totalling £75,000 in the Group and £75,000 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.

The Group has elected not to capitalise leases which are short term or where the underlying asset is of low value. Lease payments associated such leases are recognised as an expense when they are incurred.

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 2023

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 2023

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
Cost							
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**
Accumulated amortisation and impairment							
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**
Cost							
At 1 January 2023	**29,376**	**4,632**	**17,273**	**14,050**	**6,166**	**3,731**	**75,228**
Additions	-	8	-	-	369	-	377
Disposals	-	-	-	-	(639)	-	(639)
Disposal of subsidiary	(4,043)	(503)	(1,257)	-	-	(2,891)	(8,694)
Reclassification/transfer	-	726	-	(520)	(206)	-	-
Exchange differences	(908)	(185)	(745)	(274)	(151)	(176)	(2,439)
At 31 December 2023	**24,425**	**4,678**	**15,271**	**13,256**	**5,539**	**664**	**63,833**
Accumulated amortisation and impairment							
At 1 January 2023	**4,254**	**4,047**	**15,586**	**12,014**	**2,211**	**3,344**	**41,456**
Charge for the year	-	429	1,008	343	287	129	2,196
Disposal	-	-	-	-	(679)	-	(679)
Disposal of subsidiary	(4,043)	(503)	(1,257)	-	-	(2,891)	(8,694)
Impairment	-	-	-	-	887	-	887
Exchange differences	(211)	(176)	(678)	(243)	(82)	(167)	(1,557)
At 31 December 2023	**-**	**3,797**	**14,659**	**12,114**	**2,624**	**415**	**33,609**
Net book value at 31 December 2023	**24,425**	**881**	**612**	**1,142**	**2,915**	**249**	**30,224**

Amortisation of £123,000 (2022: £57,000) has been charged to cost of sales and £2,073,000 (2022: £3,503,000) has been charged to administrative expenses in the income statement (net of the profit on the sale of intangible assets). The impairments relate to certain development projects which have been terminated. These have been charged to exceptional items within operating expenses. Other disposals relate to the write off of assets recognised on the acquisition of ADL Health which had previously been fully impaired.

Notes to the Financial Statements

for the year ended 31 December 2023

19. Intangible assets (continued)

Company	Development costs £'000
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**
Cost	
At 1 January 2023	992
At 31 December 2023	**992**
Accumulated amortisation	
At 1 January 2023	109
Charge for the year	85
At 31 December 2023	**284**
Net book value at 31 December 2023	**708**

Impairment disclosure for goodwill

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.

	2023 £'000	2022 £'000
Germany*	**17,257**	7,613
DiaSpect	**-**	9,952
Russia	**68**	88
Stanbio	**6,009**	6,321
STI	**1,091**	1,148
Total	**24,425**	25,122

* In 2022 Germany includes EKF-Diagnostic, and Senslab, In 2023, DiaSpect has also been included in Germany, as a result of an internal re-organisation in the Group's corporate structure which has changed how independent cash flows are monitored.

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2023 was assessed on the basis of value in use.

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 2023

19. Intangible assets (continued)

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

2023	Germany %	Stanbio %	STI %
Longer-term growth rate	3	3	3
Discount rate	6.96	8.5	8.5
Average gross margin	41%	62%	56%

2022	ADL %	DiaSpect %	EKF Germany %	Stanbio %	STI %
Longer-term growth rate	3	3	3	3	3
Discount rate	9.45	7.79	7.79	9.45	9.45
Average gross margin	33%	45%	32%	47%	45%

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

Sensitivity analysis has been carried out on the value in use calculations including an increase in the discount rate of 1% and a restriction of EBITDA margin to current year levels. No impairments arise if any of these sensitivities are used in isolation. However, there would be an impairment of approximately £0.9m in the Stanbio CGU if these sensitivities were used in combination.

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

Trade name	1 year
Customer relations	4 - 5 years
Trade secrets	2 - 7 years
Website and software	2 years
Development costs	1-9 years

During the year, intangible assets associated with ADL Health with a gross value of £8,694,000 and a net value of £nil have been disposed of. Following an assessment of the carrying value of certain development projects, development costs with a gross and net value of £887,000 have been impaired. The profit effect of the impairment has been included within exceptional items and charged to operating costs.

20. Investments in subsidiaries

Company **Shares in Group undertakings**	**2023** **£'000**	2022 £'000
At 1 January	**30,831**	38,446
Impairment of investment in EKF Diagnostics	**(213)**	-
Disposal of DiaSpect Medical AB	**(159)**	
Disposal of investment in ADL Health	**(310)**	(7,615)
At 31 December	**30,149**	30,831

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment. During 2023 ADL Health was sold, and EKF Diagnostics Limited was dissolved. As part of an internal reorganisation, there was a transfer of value within Investments in subsidiaries to reflect the revised organisation, resulting in a write down on the investment in DiaSpect Medical AB.

Notes to the Financial Statements

for the year ended 31 December 2023

The subsidiaries of EKF Diagnostics Holdings plc as at 31 December 2023, which are held directly unless noted otherwise, are as follows:

Name of Company	Note	Proportion Held	Class of Shareholding	Nature of Business
DiaSpect Medical GmbH	1	100% (Indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
EKF-diagnostic GmbH	1	100%	Ordinary	Manufacture and sale of diagnostic equipment and consumables
Senslab GmbH	1	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
000 EKF Diagnostika	2	60% (indirect)	Ordinary	Sale of diagnostic equipment
EKF Diagnostics Inc	3	100%	Ordinary	Intermediate holding company
Stanbio Laboratory LLC	3	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
Separation Technology, Inc	3	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables

Notes

1. Incorporated, registered, and having its principal place of business in Germany at Ebendorfer Chaussee 3, 39179 Barleben, Germany.
2. Incorporated, registered, and having its principal place of business in Russia at 117648, Moscow, PO Box: 30, District Severnoe Chertanovo, House 2, building 207.
3. Incorporated and registered, and having its principal place of business in the United States of America at 1261 North Main Street, Boerne, Texas, USA 78006.

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. During the year Stanbio Laboratory was incorporated as a Limited Liability Company.

Information on the impact of sanctions on 000 EFK Diagnostika are given in the Executive Chair's Statement on page 9 and in Note 4.

Details of the disposal of certain subsidiaries are given in Note 23.

Notes to the Financial Statements

for the year ended 31 December 2023

21. Financial instruments by category

(a) Assets

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
31 December				
Assets as per balance sheet				
Financial assets at fair value through other comprehensive income	276	1,119	276	1,119
Trade and other receivables excluding prepayments and corporation tax	6,231	8,585	1,889	2,112
Cash and cash equivalents (note 26)	7,726	11,578	796	653
Total	**14,233**	**21,282**	**2,961**	**3,884**

(b) Liabilities

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
31 December				
Liabilities as per balance sheet				
Borrowings	2,986	137	2,986	-
Lease liabilities	1,113	1,410	40	207
Trade and other payables (excluding deferred grants and deferred income)	5,380	6,143	13,902	14,583
Total	**9,479**	**7,690**	**16,928**	**14,790**

Liabilities in the analysis above are all categorised as 'other financial liabilities at amortised cost' for the Group and Company. 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 2023 and 31 December 2022, 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:

	2023 £'000	2022 £'000
A+	4,592	5,814
AA-	159	49
A	731	22
A-	538	772
Ratings lower than AA- or unrated	1,706	4,921
Total	**7,726**	**11,578**

£1,706,000 (2022: £2,366,000) 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 2023

22. Investments

Group and Company	2023 £'000	2022 £'000
1 January	1,119	7,789
Additions	-	2,930
Change in fair value through other comprehensive income	426	(7,598)
Disposal	(1,269)	-
Dividend in specie	-	(2,002)
31 December	**276**	1,119

Between 6th and 12th July 2023 the Company sold its entire remaining shareholding in Renalytix plc, an AIM listed developer of artificial intelligence enabled diagnostics for kidney disease, for a total of £1.33m. The holding consisted of 1,140,911 ordinary shares which had been revalued on 30 June 2023 at £1.1125 per share, giving a total valuation of £1,269,263. The average sale price per share was £1.1684. Against the original purchase cost, the sale generated a realised loss on disposal of £262,000.

The Company has a 0.42% (2022 : 0.42%) holding in Verici Dx plc, with a fair value at 31 December 2023 of £0.07m. The fair value is calculated using the quoted mid price. In addition the Company has 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 0.59% (2022: 0.61%) 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.

£442,000 of the change in fair value relates to the Group's holding in Renalytix plc, and £(16,000) to the Group's holding in Verici Dx plc.

23. Disposal of a subsidiary

Advanced Diagnostic Laboratory LLC
On 23 March 2023 the Company disposed of all of its 100% shareholding in Advanced Diagnostic Laboratory LLC ("ADL" or "ADL Health") for a consideration of £343,800. The purchaser was a founder director. ADL, whose business is developing and providing diagnostic tests, was purchased in September 2021 for a total consideration (including contingent consideration) of £7.9m. The sale consideration consisted of the return of 1,200,000 ordinary shares by the purchaser. These were valued at the closing mid-price on the day the shares were received, being 28.65p. The loss on disposal in 2023 of £584,000 has been disclosed in exceptional items. ADL had revenues of £467,000 in 2023 and had net assets on disposal of £959,000 (excluding amounts due to Group companies which have been forgiven or impaired). An impairment of £9.8m was made against goodwill and fixed assets in 2022. At disposal, ADL held cash of £9,000.

DiaSpect Medical AB
On 30 December 2023 the Company disposed of its 100% shareholding in DiaSpect Medical AB ("DiaSpect AB"), a Swedish company which was formerly the holding company of the DiaSpect group. The acquirer was a Swedish company which specialises in the dissolution of legal entities which are no longer required. The consideration was £159,000 paid in cash. The net assets on disposal were £159,000, and there was no gain or loss on disposal in the Group. DiaSpect AB had no revenue in 2023.

Notes to the Financial Statements

for the year ended 31 December 2023

24. Trade and other receivables

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Current				
Trade receivables	5,721	8,012	11	133
Less: provision for impairment of trade receivables	(87)	(149)	-	(5)
Trade receivables – net	5,634	7,863	11	128
Prepayments	556	2,164	124	220
Amounts owed by subsidiary undertakings	-	-	1,779	1,872
Corporation tax	2,277	-	-	-
Other receivables	597	722	99	112
	9,064	**10,749**	**2,013**	**2,332**

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 2023, in the Group trade receivables of £1,168,000 (2022: £2,780,000) were past due but not covered by a loss allowance. In the Company, £nil (2022: £71,000) 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 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Up to 3 months	907	2,133	-	59
3 to 6 months	-	398	-	12
Over 6 months	261	249	-	-
	1,168	**2,780**	**-**	**71**

As of 31 December 2023, in the Group trade receivables of £87,000 (2022: £149,000) were subject to a loss allowance. In the Company trade receivables of £nil (2022: £5,000) were subject to a loss allowance. The ageing of these receivables is as follows:

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Up to 3 months	33	80	-	5
3 to 6 months	26	19	-	-
Over 6 months	28	50	-	-
Total	**87**	**149**	**-**	**5**

Notes to the Financial Statements

for the year ended 31 December 2023

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

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
At 1 January	149	148	5	-
Provision for receivables impairment	327	313	-	5
Disposed with subsidiaries	(66)	-	-	-
Unused amounts reversed	(120)	(163)	(5)	-
Receivables written off as uncollectible	(196)	(163)	-	-
Exchange differences	(7)	14	-	-
At 31 December	**87**	**149**	**-**	**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 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
UK Sterling	234	460	234	460
Euros	2,885	3,564	-	-
US dollar	5,838	6,510	1,779	1,872
Russian rouble	107	215	-	-
	9,064	**10,749**	**2,013**	**2,332**

25. Inventories

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Raw materials	6,202	6,729	-	46
Work in progress	1,573	1,046	-	3
Finished goods	991	1,659	-	19
	8,766	**9,434**	**-**	**68**

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 £6,575,000 (2022: £7,815,000). The cost of inventories recognised as expense and included in 'cost of sales' amounted to £18,174,000 (2022: £24,612,000), and in the Company £71,000 (2022: £1,078,000).

Notes to the Financial Statements

for the year ended 31 December 2023

26. Cash and cash equivalents

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Cash at bank and in hand	7,726	11,578	796	653
Cash and cash equivalents (excluding bank overdrafts)	**7,726**	**11,578**	**796**	**653**

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. Cash net of borrowings of £4,740,000 (2022: £11,441,000) is presented as gross cash of £7,726,000 (2022: £11,578,000) net of borrowings of £2,986,000 (2022: £137,000) detailed in Note 28. This excludes lease liabilities as shown in Note 18. Cash totalling £1,706,000 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, it is difficult to access cash in Russia, however we have been able to transfer limited funds to our main Germany entity during the year via dividends.

27. Trade and other payables

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Trade payables	984	1,505	70	82
Amounts due to subsidiary undertakings	-	-	13,346	14,026
Social security and other taxes	132	156	50	61
Other payables	184	1,170	1	1
Accrued expenses and deferred income	4,212	5,457	485	474
	5,512	**8,288**	**13,952**	**14,644**

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.

28. Borrowings

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Non-current				
Bank borrowings	-	-	-	-
	-	-	-	-
Current				
Bank borrowings	**2,986**	**137**	2,986	-
	2,986	**137**	**2,986**	**-**

The maturity profile of borrowings was as follows:

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Amounts falling due				
Within 1 year	2,986	137	2,986	-
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total borrowings	**2,986**	**137**	**2,986**	**-**

Notes to the Financial Statements

for the year ended 31 December 2023

Bank borrowings

A new £3m revolving credit facility was opened by the Company with HSBC UK in November 2023. The facility is for a maximum of three years at a rate of 2.45% above the Bank of England Base rate and is secured by a debenture. There is a non-utilisation fee of 0.98%. The borrowings have covenants attached to them as follows, measured at Group level:

(a) Interest Cover: Profit before Interest and Tax will not fall below a figure equal to 1,000.00% of the aggregate of Group interest charges and interest element of finance leases, in any Relevant Period.

(b) Total Net Debt to EBITDA: Total Net Debt for a Relevant Period will not be more than 150.00% of EBITDA for that period.

The Group has been compliant with these covenants throughout the year.

Within the three year term, the Group can borrow for shorter periods (the "Relevant Period") and then at the end of the period choose to repay all or part of the loan, or to increase the amount borrowed if previously it was less than the maximum. The current Bank borrowings mature in 2024 and bear an average fixed coupon of 7.7% annually (2022: 2.5%).

The Group also continues to benefit from a funding line with North Atlantic Smaller Companies Investment Trust PLC. 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 lending facility is available for three years from the date of signature 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.

Bank borrowings are secured against certain assets of the Group.

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 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Euro	-	137	-	-
Sterling	2,986	-	2,986	-
	2,986	**137**	**2,986**	**-**

The sterling loan is shown net of a facility fee of £14,000.

29. Deferred consideration

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
At 1 January	-	635	-	635
Fair value adjustment	-	(2)	-	(2)
Payment	-	(403)	-	(403)
Additions	-	-	-	-
Derecognised	-	(248)	-	(248)
Interest	-	10	-	10
Exchange differences	-	8	-	8
At 31 December	-	-	-	-

The balance at 1 January 2022 in both the Group and Company related to the acquisition of ADL Health.

Notes to the Financial Statements

for the year ended 31 December 2023

30. 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	2023 £'000	2022 £'000
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	-	(925)
Deferred tax asset to be recovered after more than 12 months	(18)	-
	(18)	(925)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	1,894	1,788
Deferred tax liability to be recovered within 12 months	623	705
	2,517	2,493
Deferred tax liabilities – net	**2,499**	**1,568**

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

	2023 £'000	2022 £'000
At 1 January	1,568	5,016
Exchange differences	(16)	297
Rate change through income statement (Note 14)	25	166
Movement through OCI	-	(1,502)
Income statement movement (Note 14)	922	(2,409)
At 31 December	**2,499**	**1,568**

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	Tax losses £'000	Inventory £'000	Capitalised R & D £'000	Intangible assets £'000	Other £'000	Total £'000
At 1 January 2023	453	(925)	(487)	1,363	1,159	5	1,568
Charged/(credited) to the income statement (Note 14)	1,825	(651)	4	(821)	577	(12)	922
Rate change through income statement	-	-	-	12	13	-	25
Exchange differences	-	4	44	(31)	(33)	-	(16)
At 31 December 2023	**2,278**	**(1,572)**	**(439)**	**523**	**1,716**	**(7)**	**2,499**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £1,437,000 (2022: £3,081,000) mainly in respect of tax losses amounting to £5,746,000 (2022: £13,109,000), primarily arising in the UK, that may be carried forward against future taxable income, as the likely timing of recovery is considered too remote.

The Company has not recognised any deferred tax assets or liabilities. The Company did not recognise deferred income tax assets of £1,888,000 (2022: £1,308,000) mainly in respect of tax losses amounting to £7,553,000 (2022: £5,565,000) as the likely timing of recovery is considered too remote. The Company also did not recognise deferred tax liabilities of £177,000 (2022: £208,000) in respect of capitalised R&D of £708,000 (2022: £883,000) as the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Notes to the Financial Statements

for the year ended 31 December 2023

31. Share capital

Group and Company	Number of Ordinary Shares	Share capital £'000	Share premium £'000
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 and at 1 January 2023	**454,930,564**	**4,549**	**7,375**
Ordinary shares acquired into treasury	**(1,200,000)**	**-**	**-**
At 31 December 2023	**453,730,564**	**4,549**	**7,375**

Group and Company Other equity – shares held in Treasury	Number of Ordinary Shares	Share capital £'000
At 1 January 2023	**-**	**-**
Ordinary shares acquired into treasury	**1,200,000**	**12**
At 31 December 2023	**1,200,000**	**12**

In April 2023 1,200,000 ordinary shares were acquired into treasury as part of the proceeds for the sale of ADL Health.

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 is given in Note 32.

The Group acquired 1,200,000 ordinary shares from the purchaser of ADL Health as part of the consideration. The shares were acquired at an average price of 29.65 pence per share.

32. Share options and share-based payments

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

	2023		2022	
Unapproved share option scheme	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
Lapsed	0.37625	(25,000)	-	-
At 31 December	**-**	**-**	**0.37625**	**25,000**

£2,000 (2022: £nil) was credited to income in 2023 in association with this scheme.

In September 2021 a cash settled share-based incentive award scheme was granted to a director. Following the resignation of the director in February 2023, the scheme lapsed.

Notes to the Financial Statements

for the year ended 31 December 2023

33. 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 2022	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)
Reserves transfer relating to the disposal of Renalytix shares	-	262	262
Cancellation of Ordinary Shares	90	-	90
At 31 December 2022	**192**	**(821)**	**(629)**
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income (net of tax)	-	489	489
Reserves transfer relating to the disposal of Renalytix shares	-	262	262
Reserves transfer relating to the dissolution of EKF Molecular Diagnostics	-	(41)	(41)
Currency translation differences	-	(1)	(1)
At 31 December 2023	**192**	**(112)**	**80**

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 2022	**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)**
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income (net of tax)	-	489	489
Reserves transfer relating to the disposal of Renalytix shares	-	262	262
Currency translation differences	-	(1)	(1)
At 31 December 2023	**192**	**(112)**	**80**

Notes to the Financial Statements

for the year ended 31 December 2023

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.

34. 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 £338,000 (2022: £329,000). The value of pension contributions owed to pension providers at 31 December 2023 was £nil (2022: £nil).

35. Commitments

Capital commitments

The Group has contracted £416,000 (2022: £1,447,000) 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.

Notes to the Financial Statements

for the year ended 31 December 2023

36. Cash generated from operations

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Profit/(loss) before tax	**2,131**	(8,942)	**867**	(9,506)
Adjustments for:				
– Depreciation	**3,276**	3,098	**240**	394
– Amortisation	**2,196**	3,560	**175**	58
– Exceptional items – other, charged to cost of sales	**577**	6,774	**8**	305
- Exceptional items – impairment	**961**	10,384	**74**	7,396
– Exceptional items – other	**1,295**	367	**(1,155)**	396
– Loss/(profit) on disposal of fixed assets	**-**	28	**-**	-
– Share-based payments	**(2)**	(308)	**(2)**	(308)
– Fair value adjustment	**-**	-	**-**	26
– Cash outflows relating to exceptional items	**(721)**	(617)	**(319)**	(339)
– Foreign exchange	**(5)**	(71)	**-**	(236)
– Bad debt written down	**214**	127	**-**	5
– Finance income	**(125)**	(131)	**-**	(11)
- Finance cost	**75**	102	**310**	160
- Inter-company dividend	**-**	-	**(1,110)**	-
Changes in working capital				
– Inventories	**(745)**	(815)	**68**	101
– Trade and other receivables	**2,495**	1,276	**319**	940
– Trade and other payables	**(2,799)**	(2,177)	**2,010**	10,089
Net cash generated from operations	**8,823**	**12,655**	**1,485**	**9,470**

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

Group	**2023 £'000**	2022 £'000
Net book value	**-**	257
Profit on disposal of property, plant and equipment	**-**	(28)
Proceeds from disposal of property, plant and equipment	**-**	229

Non-cash transactions

The principal non-cash transactions are: depreciation and amortisation, 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 2023

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

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Cash and cash equivalents (Note 26)	7,726	11,578	796	653
Borrowings (Note 28)	(2,986)	(137)	(2,986)	-
Lease liabilities	(1,113)	(1,410)	(40)	(207)
Net cash	**3,627**	**10,031**	**(2,230)**	**446**

	Group				Company			
	Cash £'000	Borrowings £'000	Lease liabilities £'000	Total £'000	Cash £'000	Borrowings £'000	Lease liabilities £'000	Total £'000
Movements in Net cash								
Net cash as at 1 January 2022	20,341	(696)	(1,933)	17,712	4,879	-	(391)	4,488
Foreign exchange adjustments	1,520	(54)	(146)	1,320	185	-	-	185
Financing cash flows	(10,283)	613	669	(9,001)	(4,411)	-	184	(4,227)
Net cash at 31 December 2022	**11,578**	**(137)**	**(1,410)**	**10,031**	**653**	**-**	**(207)**	**446**
Financing cash flows	(2,976)	(2,852)	241	(5,587)	156	(2,986)	167	(2,663)
Foreign exchange adjustments	(876)	3	56	(817)	(13)	-	-	(13)
Net cash at 31 December 2023	**7,726**	**(2,986)**	**(1,113)**	**3,627**	**796**	**(2,986)**	**(40)**	**(2,230)**

37. Related Party Disclosures

Directors

Christopher Mills is interested in 29.13%. 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 was a non-executive director of Trellus Health plc ("Trellus") until February 2024. He holds a 10.1% holding in Renalytix, a 17.1% shareholding in Verici Dx plc, and a 11.3% holding in Trellus.

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 whichis not currently drawn down, and no amounts have been drawn to date. 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 27 March 2023 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 £11,500 (2022: £6,000) by J & K (Cardiff) Limited for property rent. Julian Baines is a Director and 50% shareholder of J & K (Cardiff) Limited. Julian is non-executive chair of Verici Dx plc, and until February 2023, a director of Trellus Health plc. The Company owns 0.42% of Verici Dx plc. Mr Baines is interested in 1,351,713 (0.8%) shares in Verici and 2,375,836 (1.5%) shares in Trellus.

Mr Young was employed by Trellus in a non-director role until September 2023. He is interested in 55,230 shares in Trellus and 9,200 shares in Verici.

There are no outstanding balances at 31 December 2023, and during the year there were no sales or purchases, between the Group and Renalytix or Verici.

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

Notes to the Financial Statements

for the year ended 31 December 2023

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 £569,000 (2022: £719,000) to OOO Laboratory Diagnostic Systems ("LDS"), a company of which Mr Kots' brother is a director. There was no receivable balance outstanding from LDS at 31 December 2023.

Key management compensation

Key management compensation for the year was as follows:

	2023 £'000	2022 £'000
Salaries and other short-term employee benefits	789	934
Share-based payments	-	(298)
Employer contribution to pension scheme	29	15
	818	**651**

Key management includes the Directors of the Company only.

The Company

During the year the Company invoiced management charges of £3,196,000 (2022: £3,625,000) to its subsidiary companies. It also invoiced rental costs to EKF Germany of €167,000 (£138,000) (2022: €167,000 (£138,000)). It sold £97,000 (2022: £23,000) of goods, fixed assets, and services to subsidiaries, and purchased goods and services from subsidiaries totalling £406,000 (2022: £655,000). At 31 December 2023 the Company was owed £1,779,000 (2022: £1,872,000) by its subsidiaries and owed £13,346,000 (2022: £14,026,000) to other subsidiaries.

Notice of Annual General Meeting

EKF Diagnostics Holdings PLC (Company)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (Meeting) of EKF Diagnostics Holdings plc (Company) will be held at Harwood Capital LLP, 6 Stratton Street Mayfair, London W1J 8LD on 14 May 2024 at 11.00 a.m. for the following purposes:

Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 31 December 2023 together with the reports of the Directors and the auditors thereon.
2. To re-elect Julian Huw Baines as a Director of the Company.
3. To elect Stephen Michael Young as a Director of the Company.
4. To re-elect Christopher Harwood Bernard Mills as a Director of the Company.
5. To re-elect Jennifer Ann Julia Winter as a Director of the Company.
6. To re-elect Christian Alexander Rigg as a Director of the Company.
7. 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.
8. To authorise the Directors of the Company to determine the auditors' remuneration.
9. 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 £1,512,435 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 £1,512,435;

   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 2025, 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

10. That, subject to the passing of Resolution 9 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 9 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 9, 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 £453,731, 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 2025, 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.

11. That, subject to the passing of resolution 9 above, the Directors be authorised in addition to any authority granted under resolution 10 to allot equity securities (as defined in section 560 of the CA 2006) for cash under the authority conferred by resolution 9 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 £453,731; 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 2025, 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.

12. 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 68,014,211 (representing 14.99 per cent. of the Company's issued ordinary share capital excluding treasury shares);

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.

BY ORDER OF THE BOARD

ONE Advisory Limited

ONE Advisory Limited
Company Secretary

Registered Office
Avon House
19 Stanwell Road
Penarth
CF64 2EZ
19 April 2024

Notes

1. The Company specifies that only those members registered on the Company's register of members at close of business on 10 May 2024 or if this general meeting is adjourned, at close of business on the day two working 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. 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 11:00 a.m. on 10 May 2024.
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.

   Apple App Store **GooglePlay**

5. **Proxymity Voting**
   If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00 am on 10 May 2024 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 Proxymity'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 Proxymity 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 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). 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 to be received by the issuer's agent (ID RA10) by 11.00 a.m. on 10 May 2024. 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. Lines 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 11.00 a.m. on 10 May 2024. 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 (excluding treasury shares) comprised 453,730,564 ordinary shares of nominal value 1 pence each. 1,200,000 ordinary shares are held in the Treasury. Each ordinary share (excluding treasury shares) 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 453,730,564.

Directors:

Julian Baines MBE
(Executive Chairman)

Stephen Young
(appointed 12 September 2023)
(Chief Financial Officer)

Christopher Mills
(Non-Executive Director)

Christian Rigg
(Non-Executive Director)

Jennifer Winter
(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 Bartholemew 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:

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