



12 April 2016

**EKF Diagnostics Holdings plc**  
**(“EKF”, the “Company” or the “Group”)**

**Final results**

EKF Diagnostics Holdings plc (AIM: EKF), the AIM listed point-of-care business, announces its unaudited final results for the year ended 31 December 2015. EKF has an installed base of over 90,000 analysers globally and manufactures over 56 million tests annually.

**A challenging year**

- Revenues down 19% to £30.0m (2014 restated to exclude discontinued business: £37.1m)
- Restructuring of company:
  - Disposal of Selah Genomics
  - Closure of Walton-on-Thames facility
  - Closure of Dublin facility and end of sales of biomarker products
  - Moth-balled EKF Molecular Diagnostics
  - STI in Sanford, USA remains open
  - Reduced headcount by 85 (to 315)
- Gross profit down 23% to £14.7m (2014 restated: £19.2m)
- Adjusted EBITDA\* down to £0.3m loss (2014 restated: £6.7m)
- Cash used in operating activities: £2.9m (2014: £3.3m used)
- Net debt of £8.8m (2014: £2.1m net cash)
- Write-off of Selah Genomics with future annual cost saving of £2m
- Write-off of significant debtors in Mexico

\* Excluding exceptional items and share based payments

**Green shoots of recovery**

- Cost savings of £6.7m identified and implemented
- 12,879 analysers and 56m tests manufactured
- Large tenders won in Saudi Arabia (Quo-Test), Turkey (Hemo Control), Peru (Hemo Control)
- Steady performance from core business

**Christopher Mills, Non-executive Chairman of EKF, said:**

*“I believe the core operations of EKF are fundamentally sound with good prospects. My desire now is to restore the confidence of our shareholders in our management team, as they rebuild value for all shareholders over the medium term.”*

**EKF Diagnostics Holdings plc**

Christopher Mills, Non-executive Chairman  
Julian Baines, CEO  
Richard Evans, FD & COO

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## **CHAIRMAN'S STATEMENT**

The Board of the Company has considered its strategic options and now intends to rebuild shareholder value by stabilising the business, growing it organically and implementing further reductions in the cost base. There is much work that still needs to be done but our executive team remains confident they can achieve the objectives outlined to shareholders.

The year under review has seen a number of painful decisions, including the closure of the loss making molecular business. Selah has been divested and nearly all the employees of EKF Molecular have been made redundant. Our headcount has been reduced from 400 to 315 with this being the main driver of achieved savings of £6.7 million on an annualised basis.

There are, however, further initiatives in coming years which our management team have identified that could add value to the business. Our executive team, freed from the distraction of acquisitions and the problems of a failed acquisition, are totally committed to optimising the business platform through focussing on profits and driving cash flow.

Cash remains tight due to the impact of the cost associated with the restructuring but as the benefits of the cost reductions flow through, the Board expects the Company to be cash flow positive through the balance of the current year.

### ***Results overview***

Please refer to the Chief Executive's statement which contains a review of the year.

### ***Board***

During 2015, Paul Foulger, Tito Bacarese-Hamilton, Doris-Ann Williams, and David Toohey all left the board. We thank them for their service. Sadly, Kevin Wilson who gave loyal service to the Group, passed away in November after a short illness, and I offer my condolences to his family. In addition, we announced yesterday the resignation of Ron Zwanziger as a non-executive director. The Board has also been informed that Lurene Joseph is not seeking re-election at the AGM and accordingly will step down from the Board at this time. I would like to thank Lurene for her work on the Board and in particular as part of the Audit Committee.

All the Non-Executive Directors have waived their salaries for a three month period (and no fees will be paid in the current year).

I would also like to thank David Evans who is retiring at the AGM due to health issues. Despite the problems of the past year, he has created a valuable business which can prosper in the future.

### ***Outlook***

As we rebase the Company, it is key that the expectations are set at a level that reflects the core business without the inclusion of less predictable tender business, an aspect which has been an Achilles heel in the past. On that basis, the Board anticipates 2016 revenues, without tender wins, being just over £30 million with an adjusted EBITDA of between £3 million and £4 million.

I believe the core operations of EKF are fundamentally sound with good prospects. My desire now is to restore the confidence of our shareholders in our management team, as they rebuild value for all shareholders over the medium term.

**Christopher Mills**

***Non-executive Chairman***

**12 April 2016**

## **CHIEF EXECUTIVE'S REVIEW**

### ***Operational review***

This has been a difficult year for EKF. However, after considerable focus being placed on streamlining the business and returning to our point-of-care core, we believe we have stabilised the business and are in a strong position to grow organically.

### ***Restructuring***

#### *Molecular diagnostics*

The acquisition of Selah Genomics was part of our molecular diagnostics strategy. The value of the business was, in large part, based on reimbursement of genomic testing in the United States. Soon after the acquisition the US Government changed their reimbursement policy and cancelled the funding of these tests.

On 23 December 2015, therefore, we agreed to sell Selah to its management for nominal consideration. The consideration for the acquisition of Selah by EKF was US\$35.6 million paid in shares on 17 April 2014. Selah reported a loss after tax for the period from acquisition to 31 December 2014 of £0.6 million and had an unaudited loss after tax for the period from 1 January 2015 to 23 December 2015 of £2.8 million. As at 31 December 2014 Selah was disclosed in the Company's balance sheet in intangible assets at a value of £41.4 million, which has now been written off. Selah as at 31 December 2014 had net liabilities of £3.6 million.

I estimate the future annual cost saving to EKF will be in the region of £2 million. The sale and purchase agreement contains provisions whereby additional consideration will be paid to EKF. In the event that Selah secures further equity funding within twelve months from 23 December 2015, EKF will obtain a 10% equity interest in Selah. Alternatively if no external funding is obtained during that period and if Selah or its business is sold, EKF will receive 10% of the net proceeds of such a sale.

The second part of our Molecular diagnostics strategy was PointMan. We have seen technical progress, but commercially it has proven difficult to gain market traction quickly enough to justify the continued investment required at this stage. Further development has been stopped and the staff made redundant. There has been third party interest in acquiring the product line and discussions are ongoing. However, if an attractive enough offer is not received, the Group will retain the intellectual property and assess how best to return shareholder value. The intangible assets associated with the business have been written off.

#### *Mexican debtors*

In 2014 EKF sold substantial quantities of analysers and tests to its distributors in Mexico. We have provided in full for the amounts owed to us by two distributors (£5.1m compared to the amount of £6.3m outstanding at December 2014). We are continuing to pursue all legal means possible to recover the amounts due to EKF and to that end we have recovered stock and we are currently assessing to what extent that stock is useable. That stock has no carrying value as of 31 December 2015.

#### *Redundancies, sites and Board*

The Group has refocused on point-of-care diagnostics and central laboratory tests. This is the core competency of the whole group from operations through to sales and significantly simplifies the business. As part of this the Group has significantly reduced its workforce with a target reduction of around 20%, including those who have transferred with Selah. To facilitate this, the Group's site at Walton-on-Thames is being closed, and the entire responsibility for the manufacture and support of Quo-Test and Quo-Lab has now been moved to the Group's main production site at Barleben, Germany.

At Board level, I have reassumed direct responsibility for the sales function, while Richard Evans has reassumed responsibility for the finance function. Expenditure that was not going to lead to an immediate return has been cut,

including research and development expenditure and the business unit teams. On 8 April 2016 the Board appointed Christopher Mills as Non-Executive Chairman. Christopher has extensive knowledge of our industry.

The restructuring, which has been achieved with great rapidity, has meant that many skilful and committed employees have left the Group, and to these I wish good luck in their future careers. Remaining staff have coped admirably with the many changes that have taken place in a short period, and to these I offer my sincere thanks.

We have made a strategic decision to switch distribution of our HemoPoint H2 hemoglobin analyser from Alere back to our own Stanbio sales team. The Stanbio team will be working with a sub-contracted sales team which operates throughout the USA to ensure a smooth transition. We believe that this decision will benefit the business in the medium term.

### ***Business update***

#### *Point-of-care and Central laboratory*

The business has now refocused on its core business of selling point-of-care analysers and their associated consumables, and on the sale of central laboratory tests. During 2015 EKF sold almost 12,000 analysers and over 56 million tests, and was successful in winning significant new contracts in Saudi Arabia, Turkey, and Peru. The award in Saudi Arabia in particular has required us to enhance our ability to deal with demanding government customers, but offers the potential for sales not just in Saudi Arabia itself but also other Gulf countries.

As has been mentioned in previous announcements, all forecasting moving forward will exclude significant tenders. Although we fully expect to win some tenders, the erratic nature of these tenders means that they are impossible to forecast accurately and this has been our Achilles heel in the past.

We have established our core business over many years and over that time we have an installed base of over 90,000 instruments. We have a high quality diabetes range with Biosen, Quo-Test and Quo-Lab, all of which are gaining market share. In addition, we have a comprehensive haemoglobin range and, in our opinion, the Diaspect Tm is the best point-of-care haemoglobin meter on the market.

Our Central laboratory business continues to underpin the business and Betahydroxybutyrate liquid reagent (BhB) continues to grow market share. This is continuing into 2016 where we are seeing continued growth with BhB.

#### *New products*

As part of the restructuring activity the Group's research and development programmes have been reassessed and progress halted on all projects which do not offer the likelihood of immediate reward.

Progress with major projects is as follows:

- Senspoint, a POC lactate measuring system designed for use in peri-natal settings. Further development is currently paused.
- Work is continuing and good progress has been made on providing enhancements to major revenue-generating product lines to equip our customers with data-management and connectivity capability. This is a difficult and complex area because of the variety of different systems and interfaces available.
- Procalcitonin - this central laboratory test for measuring sepsis is now on sale.
- sTNFR1/2 biomarkers that will predict fast progressors to Chronic Kidney Disease (CKD) in both Type 1 and 2 diabetics which have been exclusively licenced from Joslin Diabetes Centre in Boston. EKF is continuing to work very closely with a potential partner.
- Inborn Errors of Metabolism - EKF is developing a POC system for monitoring Phenylalanine levels in PKU (a rare genetic condition that is present from birth). Again, we are continuing to work closely with a proposed partner.

### ***Outlook***

We believe that the fast action taken to stabilise the business in the last quarter of the year will bear fruit in the first half

of 2016. We have rebased the business on a more sustainable level and refocussed on our core areas of expertise. By simplifying the business and streamlining it is clear that the internal focus has returned.

We have simplified the business back to our core capabilities. This is reflected in a very positive start to 2016 where we are ahead of budget both from a revenue and EBITDA perspective, with Q1 revenue expected to exceed £8m. We still have a long way to go but we are ahead of target regarding stabilising the business.

In addition, the new Chairman and I are completely aligned in our strategic vision. We intend to stabilise EKF over the course of 2016 and to show strong and profitable organic growth. We are determined to achieve this and we will not be making any acquisitions.

By simplifying the business I am confident we can deliver high quality sustainable growth.

**Julian Baines**  
***Chief Executive Officer***  
**12 April 2016**

## **FINANCE DIRECTOR'S REVIEW**

### **Results**

2014 results have been restated to treat Selah Genomics as a discontinued business.

### **Revenue**

Revenue for the year was £30.0m (2014 restated: £37.1m). Within point-of-care revenue was impacted by tender activity in Mexico which had been substantial in previous years but suffered from government driven delays in 2015. In addition, changes to the regulatory framework in China for medical devices, which obliged us to suspend sales of two major product lines, have limited the scope for growth in 2015. One of these, plus the consumable for the other, are now able to be sold once again, and we anticipate the second analyser will be re-registered in 2016.

### **Gross profit**

Gross profit reduced to £14.7m (2014 restated: £19.2m), reflecting the reduced revenue. As a percentage of sales, 2015 showed a small decrease to 48.8% (2014 restated: 51.8%) as a result of provisions taken against obsolete and excess stock.

### **Administration costs and research and development costs**

Gross administration costs are £29.2m (2014 restated: £21.6m). The increase in costs is largely a result of exceptional items and increased depreciation and amortisation expenses resulting from the acquisitions in 2014. Net of these items administration costs are £15.4m (2014 restated: £13.5m), with the increase largely a result of increased investment in sales infrastructure, technical and regulatory staff. R&D costs included in administration expenses were £2.3m (2014: £1.3m) with a further £2.2m being capitalised as an intangible asset (2014: £1.5m).

The charge for amortisation of intangible assets and the depreciation of fixed assets is £8.1m (2014: £4.8m).

The exceptional items are mainly the impairments of assets relating to EKF Molecular Diagnostics (£5.3m), capitalised research and development (£1.0m), and DxEconomix (£0.8m), and the write off of debtors relating to certain customers in Mexico (£5.1m), offset by reductions in deferred consideration on Stanbio and 360 Genomics (£7.4m).

### **Operating profit and adjusted earnings before interest tax and depreciation**

The Group has made an operating loss of £14.3m (2014 restated: loss of £1.9m) for the reasons outlined above. Adjusted LBITDA for 2015 showed a loss of £0.3m (2014 restated: profit of £6.7m). This excludes the effects of share-based payments of £0.2m (2014: £0.5m) and exceptional losses of £5.7m (2014: £3.3m).

### **Finance costs**

Finance costs have decreased to £1.4m (2014 restated: £1.5m). This is mainly because of a lower level of unwinding charges relating to the discounting of deferred consideration.

### **Tax**

There is an income tax credit of £2.2m (2014: charge of £1.4m). This is largely a result of a deferred tax credit relating to the write off of intangible assets.

### **Balance sheet**

#### **Property, plant and equipment**

The Group has invested £2.3m (2014: £1.0m) in property, plant and equipment during the year, of which £1.5m is related to building projects at the Group's main manufacturing site at Barleben.

### ***Intangible assets***

Intangible assets have reduced from £93.5m to £42.9m, largely as a result of the impairment of the investment in EKF Molecular Diagnostics and the disposal of Selah Genomics. The carrying value of some R & D projects has also been reassessed leading to their impairment.

### ***Deferred consideration***

Following the disposal of Selah, deferred consideration totalling £10m has been written back. Deferred consideration relating to the acquisition of 360 Genomics has been reassessed following the mothballing of EKF Molecular, and reduced by £4.6m to zero. The final deferred consideration of £2.7m under the contract for the acquisition of Stanbio Laboratory expired on 31 December 2015 and this has also been written back.

Agreement has been reached with the former owner of EKF-Diagnostic GmbH under which the remaining deferred consideration, which is in shares, will not be paid to him but will revert to the Group. In addition, prior to the sale of Selah it was agreed that shares in escrow would be transferred to the Group and sold. This has not been completed largely because the Group has been unable to trade in its shares for regulatory reasons.

### ***Cash and working capital***

Cash and cash equivalents have fallen during the year from £8.3m to £2.0m, while borrowings have increased from £6.2m to £10.8m, as a result of the investments made during the year, and the losses sustained. Inventory has risen to £8.2m (2014: £5.8m) and efforts are being made to reduce this.

During the year a secured convertible loan was received from Zwanziger Family Ventures LLC, a company which is wholly owned by the Zwanziger Family Irrevocable 2012 Trust, the beneficiaries of which are the Zwanziger family. The entire amount of the convertible loan was used for repayment of part of EKF's borrowing with HSBC.

**Richard Evans**

***Finance Director and Chief Operating Officer***

**12 April 2016**

## CONSOLIDATED INCOME STATEMENT

	Notes	2015 £'000	Restated 2014 £'000
<b>Continuing operations</b>			
Revenue	2	30,045	37,106
Cost of sales		(15,376)	(17,860)
<b>Gross profit</b>		<b>14,669</b>	19,246
Administrative expenses		(29,156)	(21,557)
Other income		139	371
<b>Operating loss</b>		<b>(14,348)</b>	(1,940)
Depreciation and amortisation		(8,052)	(4,819)
Share-based payments		(226)	(512)
Exceptional items	3	(5,722)	(3,268)
<b>LBITDA before exceptional items and share-based payments</b>		<b>(348)</b>	6,659
Finance income	4	35	18
Finance costs	4	(1,457)	(1,509)
<b>Loss before income tax</b>		<b>(15,770)</b>	(3,431)
Income tax credit/(expense)	5	2,206	(1,440)
<b>Loss for the year from continuing operations</b>		<b>(13,564)</b>	(4,871)
<b>Discontinued operations</b>			
<b>Loss for the year from discontinued operations</b>	8	<b>(23,369)</b>	<b>(597)</b>
<b>Loss for the year</b>		<b>(36,933)</b>	(5,468)
<b>Loss attributable to:</b>			
Owners of the parent		(37,123)	(5,689)
Non-controlling interest		190	221
		<b>(36,933)</b>	(5,468)
		<b>Pence</b>	Pence
<b>Loss per Ordinary Share attributable to the owners of the parent during the year</b>			
<b>Basic</b>			
From continuing operations	6	(3.26)	(1.34)
From discontinued operations	6	(5.54)	(0.16)
		<b>(8.80)</b>	<b>(1.50)</b>
<b>Diluted</b>			
From continuing operations	6	(3.26)	(1.34)
From discontinued operations	6	(5.54)	(0.16)
		<b>(8.80)</b>	<b>(1.50)</b>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b>Loss for the year - continuing</b>	(13,564)	(4,871)
<b>Loss for the year - discontinued</b>	(23,369)	(597)
<b>Other comprehensive income:</b>		
Movement on pension scheme	-	48
Recycling of currency translations in respect of previously held interest in Selah Genomics Inc	(4,479)	-
Currency translation differences	792	546
<b>Other comprehensive (loss)/gain for the year</b>	(3,687)	594
<b>Total comprehensive loss for the year</b>	(40,620)	(4,874)
<b>Attributable to:</b>		
Owners of the parent	(40,756)	(4,890)
Non-controlling interests	136	16
<b>Total comprehensive loss for the year</b>	(40,620)	(4,874)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<b>Group 2015 £'000</b>	Group 2014 £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,680	10,568
Intangible assets	42,927	93,522
Investments in subsidiaries	-	-
Investments	402	1,152
Trade and other receivables	-	-
Deferred tax assets	340	238
<b>Total non-current assets</b>	<b>54,349</b>	<b>105,480</b>
<b>Current assets</b>		
Inventories	8,234	5,793
Trade and other receivables	7,242	16,115
Deferred tax assets	47	45
Cash and cash equivalents	2,017	8,346
<b>Total current assets</b>	<b>17,540</b>	<b>30,299</b>
<b>Total assets</b>	<b>71,889</b>	<b>135,779</b>
<b>Equity attributable to owners of the parent</b>		
Share capital	4,221	4,221
Share premium account	91,276	91,276
Other reserve	41	41
Foreign currency reserves	(3,607)	26
Retained earnings	(45,438)	(8,541)
	46,493	87,023
<b>Non-controlling interest</b>	<b>261</b>	<b>353</b>
<b>Total equity</b>	<b>46,754</b>	<b>87,376</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	1,167	2,492
Deferred consideration	-	9,536
Deferred tax liabilities	3,559	13,258
<b>Total non-current liabilities</b>	<b>4,726</b>	<b>25,286</b>
<b>Current liabilities</b>		
Trade and other payables	8,331	7,943
Deferred consideration	485	8,493
Current income tax liabilities	1,087	2,171
Deferred tax liabilities	831	756
Borrowings	9,675	3,754
<b>Total current liabilities</b>	<b>20,409</b>	<b>23,117</b>
<b>Total liabilities</b>	<b>25,135</b>	<b>48,403</b>
<b>Total equity and liabilities</b>	<b>71,889</b>	<b>135,779</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Group 2015 £'000	Group 2014 £'000
<b>Cash flow from operating activities</b>			
Cash used in operations	9	(2,914)	(3,262)
Interest paid		(370)	(241)
Income tax paid		(1,001)	(1,241)
<b>Net cash used in operating activities</b>		<b>(4,285)</b>	<b>(4,744)</b>
of which discontinued		(2,412)	(3,630)
<b>Cash flow from investing activities</b>			
Purchase of investments		-	(902)
Purchase of property, plant and equipment (PPE)		(2,296)	(1,038)
Purchase of intangibles		(3,096)	(1,595)
Purchase of subsidiaries (net of cash required)		-	(12,379)
Proceeds from sale of PPE		42	22
Interest received		35	18
<b>Net cash used in investing activities</b>		<b>(5,315)</b>	<b>(15,874)</b>
of which discontinued		(136)	(286)
<b>Cash flow from financing activities</b>			
Proceeds from issuance of Ordinary Shares		-	25,007
New loans		7,922	3,764
Repayments on borrowings		(3,000)	(1,855)
Dividend payment to non-controlling interest		(228)	(171)
Payment of deferred consideration		(1,425)	(355)
<b>Net cash generated by financing activities</b>		<b>3,269</b>	<b>26,390</b>
Of which discontinued		2,426	3,893
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,331)</b>	<b>5,772</b>
Cash and cash equivalents at beginning of year		8,346	2,551
Exchange gains on cash and cash equivalents		2	23
<b>Cash and cash equivalents at end of year</b>		<b>2,017</b>	<b>8,346</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Consolidated	Share capital £'000	Share premium account £'000	Other reserve £'000	Foreign currency reserve £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
<b>At 1 January 2014</b>	<b>2,727</b>	<b>41,783</b>	<b>41</b>	<b>(725)</b>	<b>(3,412)</b>	<b>40,414</b>	<b>508</b>	<b>40,922</b>
<b>Comprehensive income</b>								
(Loss)/profit for the year - continuing	-	-	-	-	(5,092)	<b>(5,092)</b>	221	<b>(4,871)</b>
(Loss)/profit for the year - discontinued	-	-	-	-	(597)	<b>(597)</b>	-	<b>(597)</b>
<b>Other comprehensive income</b>								
Movement on pension	-	-	-	-	48	<b>48</b>	-	<b>48</b>
Currency translation differences	-	-	-	751	-	<b>751</b>	(205)	<b>546</b>
<b>Total comprehensive income</b>	-	-	-	<b>751</b>	<b>(5,641)</b>	<b>(4,890)</b>	<b>16</b>	<b>(4,874)</b>
<b>Transactions with owners</b>								
Proceeds from shares issued	1,494	49,493	-	-	-	<b>50,987</b>	-	<b>50,987</b>
Dividends to non-controlling interest	-	-	-	-	-	-	(171)	<b>(171)</b>
Share-based payments	-	-	-	-	512	<b>512</b>	-	<b>512</b>
<b>Total contributions by and distributions to owners</b>	<b>1,494</b>	<b>49,493</b>	-	-	<b>512</b>	<b>51,499</b>	<b>(171)</b>	<b>51,328</b>
<b>At 1 January 2015</b>	<b>4,221</b>	<b>91,276</b>	<b>41</b>	<b>26</b>	<b>(8,541)</b>	<b>87,023</b>	<b>353</b>	<b>87,376</b>
<b>Comprehensive income</b>								
(Loss)/profit for the year - continuing	-	-	-	-	(13,754)	<b>(13,754)</b>	190	<b>(13,564)</b>
(Loss)/profit for the year - discontinued	-	-	-	-	(23,369)	<b>(23,369)</b>	-	<b>(23,369)</b>
<b>Other comprehensive income</b>								
Recycling of currency translations in respect of previously held interest in Selah Genomics Inc	-	-	-	(4,479)	-	<b>(4,479)</b>	-	<b>(4,479)</b>
Currency translation differences	-	-	-	846	-	<b>846</b>	(54)	<b>792</b>
<b>Total comprehensive income</b>	-	-	-	<b>(3,633)</b>	<b>(37,123)</b>	<b>(40,756)</b>	<b>136</b>	<b>(40,620)</b>
<b>Transactions with owners</b>								
Dividends to non-controlling interest	-	-	-	-	-	-	(228)	<b>(228)</b>
Share-based payments	-	-	-	-	226	<b>226</b>	-	<b>226</b>
<b>Total contributions by and distributions to owners</b>	-	-	-	-	<b>226</b>	<b>226</b>	<b>(228)</b>	<b>(2)</b>
<b>At 31 December 2015</b>	<b>4,221</b>	<b>91,276</b>	<b>41</b>	<b>(3,607)</b>	<b>(45,438)</b>	<b>46,493</b>	<b>261</b>	<b>46,754</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

**1. Basis of presentation**

EKF Diagnostics Holdings Plc is a company incorporated in the United Kingdom. The Company is a public limited company, which is listed on the AIM market of the London Stock Exchange.

The unaudited preliminary announcement has been prepared in accordance with the Group's accounting policies as disclosed in the financial statements for the year ended 31 December 2014 and International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 2014 results have been restated to treat Selah Genomics as a discontinued business. This preliminary announcement was approved by the Board of Directors on 12 April 2016. The preliminary announcement does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006 and has not been audited. Statutory accounts for the year to 31 December 2014 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006 and did not contain any emphasis of matter.

Certain statements in this announcement constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, amongst other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be construed as a profit forecast.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish its full financial statements for the year ended 31 December 2015 by 24 April 2016, which will be available on the Company's website at [www.ekfdiagnostics.com](http://www.ekfdiagnostics.com) and at the Company's registered office at Avon House, 19 Stanwell Road Penarth CF64 2EZ. The Annual General Meeting will be held on Tuesday 19 May 2016.

**2. Geographic sales**

Disclosure of Group revenues by geographic location is as follows:

	2015	Restated 2014
	£'000	£'000
<b>Americas</b>		
United States of America	10,857	9,755
Mexico	1,004	7,560
Rest of Americas	2,390	2,440
<b>Europe, Middle East and Africa (EMEA)</b>		
Germany	5,057	4,848
United Kingdom	238	287
Rest of Europe	2,637	2,791
Russia	2,259	3,174
Middle East	1,676	687
Africa	916	1,315
<b>Rest of World</b>		
China	677	2,304
Asia	2,242	1,892
New Zealand/Australia	92	53
<b>Total revenue – continuing business</b>	<b>30,045</b>	<b>37,106</b>

Revenues of approximately £1.9m are derived from a single external customer located in USA.

### 3. Exceptional items

Included within Administrative expenses are exceptional items as shown below:

	Note	2015 £'000	2014 £'000
– Warranty claim	a	(349)	(281)
– Restructuring costs	b	(727)	-
– Transaction costs relating to business combinations		(178)	(809)
– Impairment charges - goodwill	c	-	(254)
- Impairment charges - other	c	(5,948)	(908)
– Release of deferred consideration provisions	d	7,353	79
- Impairment of investment	e	(750)	-
- Bad debts written off	f	(5,123)	-
– Cost of closure and transfer of Quotient manufacturing to Germany		-	(925)
– Cost of closure and transfer of EKF Ireland to UK		-	(170)
<b>Exceptional items</b>		<b>(5,722)</b>	<b>(3,268)</b>

(a) Estimated warranty claim in relation to the acquisition of EKF-diagnostic GmbH, reduced because of lower share price

(b) Restructuring costs mainly redundancy and notice costs

(c) Impairment of investments and capitalised R & D in EKF Molecular Diagnostics Ltd and the remaining value in EKF Ireland

(d) Reductions in carrying value of deferred contingent consideration associated with EKF Molecular Diagnostics.

(e) Impairment of investment in DXEconomy Inc.

(f) Write off of bad debts associated with certain customers in Mexico

### 4. Finance income and costs

	2015 £'000	Restated 2014 £'000
<b>Finance costs:</b>		
– Bank borrowings	312	226
– Other interest	50	-
– Financial liabilities at fair value through profit or loss – (gains)/losses	(395)	(476)
– Deferred consideration-unwinding of discount (note 27)	1,482	1,751
– Convertible debt	8	8
<b>Finance costs</b>	<b>1,457</b>	<b>1,509</b>
<b>Finance income</b>		
– Interest income on cash and short-term deposits	34	18
– Other interest	1	-
<b>Finance income</b>	<b>35</b>	<b>18</b>
<b>Net finance costs</b>	<b>1,422</b>	<b>1,491</b>

## 5. Income tax

Group	2015 £'000	2014 £'000
Current tax:		
Current tax on loss for the year	220	1,677
Adjustments for prior periods	(76)	(263)
<b>Total current tax</b>	<b>144</b>	<b>1,414</b>
Deferred tax:		
Origination and reversal of temporary differences - continuing	(2,350)	26
<b>Total deferred tax</b>	<b>(2,350)</b>	<b>26</b>
<b>Income tax (credit)/charge</b>	<b>(2,206)</b>	<b>1,440</b>

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the profits of the consolidated entities as follows:

	2015 £'000	Restated 2014 £'000
<b>Loss before tax</b>	<b>(15,770)</b>	<b>(3,431)</b>
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 20% (2014: 21.5%)	<b>(3,154)</b>	(738)
Tax effects of:		
– Expenses not deductible for tax purposes	<b>5,518</b>	748
– Losses carried forward	<b>(4,628)</b>	696
– Adjustment in respect of prior years	<b>76</b>	(263)
– Impact of different tax rates in other jurisdictions	<b>(272)</b>	163
- Impact of utilisation of deferred tax asset	-	1,079
– Other movements	<b>254</b>	(245)
<b>Tax charge</b>	<b>(2,206)</b>	<b>1,440</b>

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

## 6. Loss per share

### (a) Basic

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

	2015 £'000	Restated 2014 £'000
Loss attributable to owners of the parent	(37,123)	(5,689)
Loss from continuing operations attributable to equity holders of the company	(13,754)	(5,092)
Loss from discontinued operations attributable to equity holders of the company	(23,369)	(597)
Weighted average number of Ordinary Shares in issue	422,057,074	379,633,724
Basic loss per share	(8.80) pence	(1.50) pence
Basic loss per share from continuing operations	(3.26) pence	(1.34) pence
Basic loss per share from discontinued operations	(5.54) pence	(0.16) pence

### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding assuming conversion of all dilutive potential Ordinary Shares. The Company has two categories of dilutive potential ordinary share: equity-based long-term incentive plans and share options. The potential shares are not dilutive in either 2015 or 2014 as the Group has made a loss per share.

	2015 £'000	Restated 2014 £'000
Loss attributable to owners of the parent	(37,123)	(5,689)
Loss from continuing operations attributable to equity holders of the company	(13,754)	(5,092)
Loss from discontinued operations attributable to equity holders of the company	(23,369)	(597)
Weighted average dilutive number of Ordinary Shares	422,057,074	379,633,724
Diluted loss per share	(8.80) pence	(1.50) pence
Basic loss per share from continuing operations	(3.26) pence	(1.34) pence
Basic loss per share from discontinued operations	(5.54) pence	(0.16) pence

	2015 £'000	2014 £'000
Weighted average number of Ordinary Shares in issue	422,057,074	379,633,724
Potential shares which are not dilutive as the Group has made a loss per share		
– Assumed conversion of share awards	4,272,819	9,833,892
– Assumed payment of equity deferred consideration	4,043,940	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	430,373,833	393,511,556

## 7. Dividends

There were no dividends paid or proposed by the Company in either year.

## 8. Disposal



On 23 December 2015 the Company disposed of all of its 100% shareholding in Selah Genomics Inc. (“Selah”) for a consideration of \$10, paid in cash. The purchasers were the founder directors. Selah, whose business is developing molecular diagnostics for personalised medicine, was purchased in April 2014 for a total consideration (including contingent consideration) of £28.9m. On the occurrence of certain future events, the Group is entitled to participate in future profits from Selah.

During the year up to the date of disposal Selah’s income statement was:

	<b>2015</b>	2014
	<b>£’000</b>	£’000
Revenue	<b>2,400</b>	2,956
Cost of sales	<b>(1,008)</b>	(2,253)
<b>Gross profit</b>	<b>1,392</b>	703
Administrative expenses	<b>(4,126)</b>	(1,236)
<b>Operating loss</b>	<b>(2,734)</b>	(533)
Depreciation and amortisation	<b>(232)</b>	(131)
<b>LBITDA before exceptional items and share-based payments</b>	<b>(2,502)</b>	(402)
Finance costs	<b>(40)</b>	(64)
<b>Loss before income tax</b>	<b>(2,774)</b>	(597)
Income tax credit/(expense)	-	-
<b>Loss for the year</b>	<b>(2,774)</b>	(597)

On disposal Selah had the following assets and liabilities:

	<b>2015</b>
	<b>£’000</b>
Fixed assets	741
Current assets excluding cash	1,220
Cash	13
Current liabilities excluding intercompany	(638)
Borrowings	(326)
Amounts due to the parent and co-subsiaries	(7,188)
<b>Net liabilities</b>	<b>(6,178)</b>

The loss on discontinued items is made up of:

	<b>2015</b>	2014
	<b>£’000</b>	£’000
Operating result	<b>(2,774)</b>	(597)
Write down of intangible assets	<b>(42,775)</b>	-
Deferred consideration written back	<b>9,998</b>	-
Deferred tax written back	<b>7,703</b>	-
Recycling of currency translations	<b>4,479</b>	-
<b>Loss on discontinued business</b>	<b>(23,369)</b>	(597)

## 9. Cash used in operations

	Group	
	2015	2014
	£'000	£'000
Loss before tax	(15,770)	(4,028)
Adjustments for:		
– Depreciation	1,173	1,368
– Amortisation	6,879	3,582
– Impairment of intangibles	5,948	1,229
– Impairment of investment	750	-
– Warranty claim	349	281
– Profit on disposal of fixed assets	5	(6)
– Restructure of operations	(2,055)	-
– Share-based payments	226	512
– Release of deferred consideration	(7,353)	(79)
– Fair value adjustment	(395)	(476)
– Bad debt write down	5,123	-
– Net finance costs	1,817	2,031
Changes in working capital		
– Inventories	(2,607)	728
– Trade and other receivables	2,025	(8,467)
– Trade and other payables	971	63
<b>Net cash used in by operations</b>	<b>(2,914)</b>	<b>(3,262)</b>

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

Group	2015	2014
	£'000	£'000
Net book value	47	16
(Loss)/profit on disposal of property, plant and equipment	(5)	6
<b>Proceeds from disposal of property, plant and equipment</b>	<b>42</b>	<b>22</b>

### *Non-cash transactions*

The principal non-cash transactions are transactions associated with the disposal of Selah Genomics Inc.; the release of deferred consideration provisions; the fair value adjustment relating to the deferred equity consideration in respect of EKF Germany, the warranty claim, and impairment charges in relation to capitalised R & D, and the write off of trade debtors relating to customers in Mexico.