14 March 2018

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 final results for the year ended 31 December 2017.

Financial highlights

- Revenue up 8% to £41.6m (2016: £38.6m)
- Gross profit up 25% to £22.9m (2016: £18.3m)
- Adjusted EBITDA* up 52% to £9.3m (2016: £6.1m)
- Earnings per share of 0.59p (2016: nil)
- Cash generated from operations of £10.1m (2016: £8.8m)
- Cash at 31 December 2017 of £8.2m (31 Dec 2016: £7.9m), net cash of £7.0m (31 Dec 2016: £2.2m)
- Capital restructure creates distributable reserves and allows share buy back programme

** Excluding exceptional items and share based payments*

Operational highlights

- Continued effect of improvements to operational efficiency
- Closure of Polish operations brings sites down from twelve to seven
- Creation of Renalytix AI, Inc in January 2018 to exploit sTNFR technology

Christopher Mills, Non-executive Chairman of EKF, said:
"Trading in 2017 has been positive and this has continued into the early part of 2018. We are currently trading in line with management's expectations."

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CHAIRMAN'S STATEMENT

I am delighted to present results which show continued good progress with revenues, earnings, and net cash all significantly improved compared with the previous year.

Strategy

The Group has continued to follow the path which led to the successful turnaround of the business in 2016, namely concentrating its activities on point-of-care diagnostics and the related central laboratory reagents business, while reducing costs and simplifying the business. In the first half, we closed our manufacturing site in Poland and transferred activities to our main European hub in Barleben, Germany. This led to a small number of redundancies, and we thank those affected and wish them well for the future. As a result, the number of sites used by the Group has reduced from a peak of twelve to seven, of which four are in Europe, two in the USA and one in China. While we are not currently planning further closures, our efforts to improve efficiency and therefore reduce costs continue.

After considerable deliberation and discussion with our professional advisors, we were unable to proceed with our plan to split out the central laboratory business in a tax efficient manner.

sTNFR venture

Subsequent to the year end, on 11 January 2018 the Group announced its intention to spin-out its sTNFR biomarker technology into a separate entity, Renalytix AI, Inc., which has been registered in the USA. sTNFR1/2 (Soluble Tumour Necrosis Factor Receptors 1 and 2) are novel biomarkers used in combination with artificial intelligence to identify which diabetes patients are at the highest risk of progressive Diabetic Kidney Disease (DKD) potentially leading to End Stage Renal Disease (ESRD). Plans for the entity are at an early stage and discussions with partners are continuing.

Capital changes

The Directors have taken a number of actions during the year to create distributable reserves and to reduce the number of actual and potential shares in issue. In June 2017, 21.6m share options which had been granted to employees and others were cancelled at the election of the holders, in return for payments totalling £1.5m. In September 2017, court and shareholder approval were received for a capital reduction, allowing us to create distributable reserves through the write-off of the Company's share premium account, and to buy back up to 15% of the Company's ordinary shares. Subsequently, a total of 6.7m shares have been cancelled. As a result of these actions, the total number of potential shares has reduced by nearly 6%.

Results overview

The Chief Executive's and Finance Director's statements contain a review of the year and an overview of the financial performance of the Group.

Board

All of the Board members have served throughout the year. Non-executive Directors have continued to waive their standard director's fees, however as each has performed considerable amounts of work for the Group in addition to their duties as directors, they have been paid an appropriate bonus.

Outlook

Trading in 2017 has been positive and this has continued into the early part of 2018. Trading is in line with management expectations.

Christopher Mills
Non-executive Chairman

14 March 2018

CHIEF EXECUTIVE'S REVIEW

It is pleasing to be able to report a strong set of results for 2017. In particular, cash generation has once again been very strong, with net cash growing from £2.2m to £7.0m during the year, despite spending £1.4m on capital expenditure and £1.5m on the cancellation of share options.

Operations

We have succeeded in our aim for 2017 of driving the existing business and continuing to reduce cost. Gross margins have improved at a greater rate than the increase in sales. We have sold around 15,000 analysers and 70 million tests during the year and cemented our place as number one supplier of Beta Hydroxybutyrate (β-HB) reagent in the USA, and number two worldwide in Hemoglobin point-of-care products.

During the year we completed the restructuring of our manufacturing operations by closing our manufacturing facility in Poland. Production volume was shifted to our factory in Barleben, Germany and customers successfully transitioned away from the older style cuvette previously made in Poland. In Barleben we have invested in modern production equipment including new automated equipment for the manufacture and packaging of the Quo-Test cartridge. At our Elkhart USA facility, where we manufacture a number of wet chemistry products, we have a medium term programme to update the facilities to improve quality and volumes.

Point-of-Care

EKF's point-of-care business model continues to be to sell analysers into the market and then benefit from the ongoing revenue stream generated by sales of the dedicated consumables. Over the last five years we have sold over 80,000 analysers for use worldwide, and each year we supply a growing number of tests for use on these.

Hematology

Sales of Hematology products have increased by 10% to £12.9m (2016: £11.7m). Sales of Hemo Control (sold in the USA as Hemo Point H2) have built on the strong growth in 2016, rising a further 7%, while DiaSpect revenues have risen by a further 23%.

Diabetes

Diabetes revenues are up by 13% at £11.5m (2016: £10.2m). The Saudi tender won in 2015 was completed during the year, and this has lead to an increase in Quo Test and Quo Lab sales of 14%. There has been further success for Biosen sales which have risen by 10%.

Central Laboratory

Central laboratory sales have grown by 5% to £12.6m, from £12.1m last year, again driven sales of β-HB Liquicolor reagent which are higher by a further 17%, having risen by a very significant percentage in 2016. We have continued to promote our Altair 240 analyser through an increasing portfolio of specialist distributors. Sales of other Central Laboratory products have been stable. We have discontinued a number of the marginal former STI products.

New and updated products

We have concentrated in 2017 on widening the range of regulatory approvals for our existing product ranges. In particular we have conducted a number of clinical trials in the USA in anticipation of submitting applications for FDA approval in the USA for our DiaSpect Tm and Quo-Test products. Quo-Test is also in the lab testing phase of its China FDA registration and we have secured registration for it in Brazil alongside Hemo Control, DiaSpect Tm and Quo-Lab. POC Connect, our connectivity solution for our DiaSpect Tm handheld analyser was launched in November 2017. We will soon be showcasing our new and updated Lactate Scout 4.0 product. As noted above, we are working to secure commercial launch of our sTNFR biomarker (for early detection of end stage renal disease in diabetic patients), alongside a number of partners.

Outlook

We are looking forward to finalising our two FDA applications in the first half of 2018, and to update on progress with our sTNFR project. At the same time, we anticipate receiving completed registrations for Beta Hydroxybutyrate (β-HB) in Mexico, Brazil and Colombia as well as the Indian registration of DiaSpect Tm all in the first half of 2018. We are continuing to work hard to increase efficiency and reduce costs by investing in automation and streamlining processes.

We are confident that we will continue to see growth in the business on a steady and sustainable basis.

Julian Baines
Chief Executive Officer

14 March 2018

FINANCE DIRECTOR'S REVIEW

Revenue

Revenue for the year was £41.6m (2016: £38.6m), an increase of 8%. 6.6% of the increase was the result of improvements in foreign currency exchange rates, largely because of a further fall in the average value of sterling against the US dollar and Euro especially in the first half of the year. The remainder of the increase comes from organic growth.

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

	FY 2017 £'000	FY 2016 £'000	+/-%
Hematology	12,911	11,704	+10%
Diabetes Care	11,547	10,203	+13%
Central Laboratory	12,597	12,051	+5%
Other	4,529	4,631	(2)%
Total revenue	41,584	38,589	+8%

Gross profit

Gross profit increased to £22.9m (2016: £18.3m). The gross margin percentage on sales was 55.0% (2016: 47.5%). The increase was attributable in part to cost reductions arising from the actions taken in previous years, partly through mix and volume effects, and partly as a result of the release of inventory provisions set in prior years.

Administration costs and research and development costs

Administration expenses have again fallen, to £18.2m (2016: £18.7m). R&D costs included in administration expenses were £2.2m, with a further £0.7m being capitalised as an intangible cost. Gross R&D expenses have therefore increased to £2.9m from £2.7m in 2016.

The charge for depreciation of fixed assets and amortisation of intangible assets is £4.6m (2016: £5.0m). The charge includes an impairment in the year related to the carrying value of our Polish operations which were closed during the year, as well as the reassessment of the carrying value of certain non-core development projects.

Exceptional items relate to provisions made and costs incurred in the closure of the Polish manufacturing site, the increase in the fair value of the warranty claim associated with the acquisition of EKF-Diagnostic GmbH, which is attributable to the increase in the Company's share price during the year, and to the benefit at fair value of the shares released to EKF from an escrow account associated with the acquisition of Selah Genomics, Inc.

Operating profit and adjusted earnings before interest tax and depreciation

The Group made an operating profit of £4.7m, having made a small loss of £0.3m in 2016. This reflects the considerable efforts made in the last two years to reduce costs and improve efficiency. 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 progress because the Board believes it gives clearer comparability of operating performance between periods. In 2017 we achieved adjusted EBITDA of £9.3m (2016: £6.1m). The calculation of this non-GAAP measure is shown on the face of the income statement. It excludes the effect of share-based payment charges of £1.5m (2016: £1.0m), which increased largely because of the acceleration of charges as a result of the programme of share option cancellations, and exceptional profits of £1.6m (2016: losses of £0.5m). Of the increase in adjusted EBITDA of £3.2m, £0.6m is attributable to the effect of more favourable exchange rates, with the remainder being attributable to improved underlying performance.

Finance costs

Finance costs have continued to fall, to £0.5m in 2017 (2016: £0.7m). This is largely as a result of lower interest costs associated with the reduction of debt during the year, offset by higher charges relating to the discounting of deferred consideration.

Tax
There is an income tax charge of £1.4m (2016: credit of £1.2m). This is because of a tax adjustment in the USA caused by timing differences on the carry back of losses in previous years, while in 2016 there was a large credit relating to 2015. In future years the Group anticipates a positive impact on its tax charge as a result of the tax policy changes recently made by the US Government.

Balance sheet

Property, plant and equipment
Additions to fixed assets were £1.4m (2016: £1.3m). This reflected investment in production equipment in both Germany and in the USA, including automated pouching equipment in Barleben and the replacement of obsolete plant in Elkhart.

Intangible assets
The value of intangible assets has fallen from £46.5m to £43.6m year-on-year. This is partially attributable to the annual amortisation charge, plus the offsetting effect of additions and impairments.

Deferred consideration
The remaining deferred consideration relates to the share-based payment to the former owner of EKF-Diagnostic GmbH. Finalisation of the contracts to conclude the position is now expected to take place in 2018.

Cash and working capital
Net cash has increased from £2.2m to £7.0m during the year. Gross cash has increased to £8.2m (2016: £7.9m), and borrowings have reduced from £5.7m to £1.2m. All borrowings in the UK and the USA have been paid off. The remaining borrowings are being reduced over the loan period to 2023 and were used to fund the new building in Barleben. £1.5m was used to buy employees out of share option agreements and £0.2m was used to acquire ordinary shares for cancellation.

Inventory has reduced from £6.0m to £5.6m in 2017 as our programme to reduce inventory levels continued. While results so far have been encouraging, and we have seen inventory levels reduce by over 30% since December 2015, despite higher revenue, our ambition remains to reduce our holdings further, while ensuring production and sales run efficiently.

Trade receivables have reduced, partly because of the completion of payments relating to business in Saudi Arabia which required extended payment terms. The increase in payables, reflects increased activity during the year and the liability recognised in respect of cash settled share-based payments.

Richard Evans
Finance Director and Chief Operating Officer

14 March 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £'000	2016 £'000
Revenue	**41,584**	38,589
Cost of sales	**(18,721)**	(20,267)
Gross profit	**22,863**	18,322
Administrative expenses	**(18,186)**	(18,734)
Other income	**52**	85
Operating profit/(loss)	**4,729**	(327)
Depreciation and amortisation	**(4,623)**	(4,961)
Share-based payments	**(1,514)**	(973)
Exceptional items	**1,562**	(532)
EBITDA before exceptional items and share-based payments	**9,304**	6,139
Finance income	**53**	37
Finance costs	**(475)**	(713)
Profit/(loss) before income tax	**4,307**	(1,003)
Income tax (charge)/credit	**(1,367)**	1,172
Profit for the year	**2,940**	169
Profit/(loss) attributable to:		
Owners of the parent	**2,715**	(18)
Non-controlling interest	**225**	187
	2,940	169

	Pence	Pence
Earnings/(loss) per Ordinary Share attributable to the owners of the parent during the year		
From continuing operations		
Basic	0.59	(0.00)
Diluted	0.58	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 **£'000**	2016 £'000
Profit for the year	2,940	169
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(622)	9,343
Other comprehensive (loss)/gain for the year	(622)	9,343
Total comprehensive gain for the year	2,318	9,512
Attributable to:		
Owners of the parent	2,096	9,198
Non-controlling interests	222	314
Total comprehensive gain for the year	2,318	9,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Group 2017 £'000	Group 2016 £'000
Assets		
Non-current assets		
Property, plant and equipment	12,121	12,124
Intangible assets	43,600	46,503
Investments	152	152
Deferred tax assets	34	371
Total non-current assets	55,907	59,150
Current assets		
Inventories	5,638	6,025
Trade and other receivables	7,396	9,370
Deferred tax assets	13	13
Cash and cash equivalents	8,203	7,874
Total current assets	21,250	23,282
Total assets	77,157	82,432
Equity attributable to owners of the parent		
Share capital	4,576	4,643
Share premium account	-	95,393
Other reserve	108	41
Foreign currency reserves	4,892	5,609
Retained earnings	50,394	(45,236)
	59,970	60,450
Non-controlling interest	528	521
Total equity	60,498	60,971
Liabilities		
Non-current liabilities		
Borrowings	872	1,130
Deferred tax liabilities	3,467	3,751
Total non-current liabilities	4,339	4,881
Current liabilities		
Trade and other payables	9,429	9,401
Deferred consideration	1,062	693
Current income tax liabilities	1,473	1,160
Deferred tax liabilities	23	738
Borrowings	333	4,588
Total current liabilities	12,320	16,580
Total liabilities	16,659	21,461
Total equity and liabilities	77,157	82,432

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 £'000	Group 2016 £'000
Cash flow from operating activities		
Cash generated by operations	10,118	8,816
Interest paid	(106)	(496)
Income tax (paid)/received	(959)	623
Net cash generated by operating activities	9,053	8,943
Cash flow from investing activities		
Sale of investments	-	250
Purchase of property, plant and equipment (PPE)	(1,361)	(1,261)
Purchase of intangibles	(852)	(663)
Proceeds from sale of PPE	128	211
Interest received	53	37
Net cash used in investing activities	(2,032)	(1,426)
Cash flow from financing activities		
Proceeds from issuance of Ordinary Shares	-	4,539
Share based payments	(1,505)	-
Share buy back	(241)	-
New loans	-	5,957
Repayments on borrowings	(4,458)	(12,555)
Dividend payment to non-controlling interest	(215)	(54)
Net cash used in financing activities	(6,419)	(2,113)
Net increase in cash and cash equivalents	602	5,404
Cash and cash equivalents at beginning of year	7,874	2,017
Exchange (losses)/gains on cash and cash equivalents	(273)	453
Cash and cash equivalents at end of year	8,203	7,874

CONSOLIDATED STATEMENT 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
At 1 January 2016	**4,221**	**91,276**	**41**	**(3,607)**	**(45,438)**	**46,493**	**261**	**46,754**
Comprehensive income								
(Loss)/profit for the year	-	-	-	-	(18)	**(18)**	187	**169**
Other comprehensive income								
Currency translation differences	-	-	-	9,216	-	**9,216**	127	**9,343**
Total comprehensive income/(expense)	**-**	**-**	**-**	**9,216**	**(18)**	**9,198**	**314**	**9,512**
Transactions with owners								
Proceeds from shares issued	422	4,117	-	-	-	**4,539**	-	**4,539**
Dividends to non-controlling interest	-	-	-	-	-	**-**	(54)	**(54)**
Share-based payments	-	-	-	-	220	**220**	-	**220**
Total contributions by and distributions to owners	**422**	**4,117**	**-**	**-**	**220**	**4,759**	**(54)**	**4,705**
At 31 December 2016 and 1 January 2017	**4,643**	**95,393**	**41**	**5,609**	**(45,236)**	**60,450**	**521**	**60,971**
Comprehensive income								
Profit for the year	-	-	-	-	2,715	**2,715**	225	**2,940**
Other comprehensive income								
Currency translation differences	-	-	-	(717)	98	**(619)**	(3)	**(622)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**(717)**	**2,813**	**2,096**	**222**	**2,318**
Transactions with owners								
Share cancellation	(67)	-	67	-	(3,121)	**(3,121)**	-	**(3,121)**
Capital reconstruction	-	(95,393)	-	-	95,393	**-**	-	**-**
Dividends to non-controlling interest							(215)	**(215)**
Share-based payments					545	**545**	-	**545**
Total contributions by and distributions to owners	**(67)**	**(95,393)**	**67**	**-**	**92,817**	**(2,576)**	**(215)**	**(2,791)**
At 31 December 2017	**4,576**	**-**	**108**	**4,892**	**50,394**	**59,970**	**528**	**60,498**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 audited 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 2017 and International Financial Reporting Standards ("IFRSs") and International Financial Reporting Standards Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. This preliminary announcement was approved by the Board of Directors on 14 March 2018. The preliminary announcement does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 December 2016 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 2017 by 16 April 2018, which will be available on the Company's website at 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 8 May 2017.

2. Geographic sales

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

	2017 **£'000**	2016 £'000
Americas		
United States of America	17,174	15,122
Rest of Americas	3,195	3,979
Europe, Middle East and Africa (EMEA)		
Germany	6,016	6,082
United Kingdom	300	276
Rest of Europe	3,423	2,761
Russia	2,743	2,687
Middle East	2,912	2,870
Africa	1,611	882
Asia and Rest of World		
China	915	929
Rest of Asia	3,168	2,922
New Zealand/Australia	127	79
Total revenue	41,584	38,589

No single external customer represented more than 10% of revenues in either 2017 or 2016.

3. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	Note	**2017 £'000**	2016 £'000
– Warranty claim	a	339	129
– Business reorganisation costs	b	(183)	(661)
- Cancellation of shares	c	1,406	-
Exceptional items		1,562	(532)

(a) Estimated warranty claim in relation to the acquisition of EKF-diagnostic GmbH increased because of higher share price.

(b) Restructuring costs, mainly redundancy and notice costs, associated in 2017 with the closure of EKF's Polish facility and other restructuring activities.

(c) Fair value of shares released to EKF by former shareholders of Selah Genomics Inc. which had been issued as part of the consideration for the acquisition of Selah, but held in escrow. These shares have subsequently been cancelled.

4. Finance income and costs

	2017 £'000	2016 £'000
Finance costs:		
– Bank borrowings	83	338
– Other interest	23	158
– Financial liabilities at fair value through profit or loss – losses/(gains)	369	208
– Convertible debt	-	9
Finance costs	475	713
Finance income		
– Interest income on cash and short-term deposits	14	37
– Other interest	39	-
Finance income	53	37
Net finance costs	422	676

5. Income tax

Group	**2017 £'000**	2016 £'000
Current tax:		
Current tax on profit/(loss) for the year	**2,045**	1,602
Adjustments for prior periods	**(100)**	(2,219)
Total current tax	**1,945**	(617)
Deferred tax:		
Origination and reversal of temporary differences	**(578)**	(555)
Total deferred tax	**(578)**	(555)
Income tax charge/(credit)	**1,367**	(1,172)

The Finance Act 2015 which was substantively enacted in 2015 included legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and the Finance Act 2016 which was substantively enacted in 2016 included legislation to reduce the main rate of UK corporation tax to 17% from 1 April 2020.

The tax on the Group's profit/(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:

	2017 £'000	2016 £'000
Profit/(loss) before tax	**4,307**	(1,003)
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19.25% (2016: 20%)	**829**	(201)
Tax effects of:		
– Expenses not deductible for tax purposes	**31**	390
– Remeasurement of deferred tax – change in future tax rate	**(360)**	-
– Income not subject to tax	**267**	-
– Utilisation of losses carried forward/ group relief	**(178)**	(63)
– Adjustment in respect of prior years	**(100)**	(2,219)
– Impact of different tax rates in other jurisdictions	**634**	428
– Other movements	**244**	493
Tax charge/(credit)	**1,367**	(1,172)

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

6. 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.

	2017	2016
	£'000	£'000
Profit/(loss) attributable to owners of the parent	2,715	(18)
Weighted average number of Ordinary Shares in issue	463,098,526	446,042,831
Basic profit/(loss) per share	0.59 pence	(0.00) pence

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding assuming conversion of all dilutive potential Ordinary Shares. The Company has two categories of dilutive potential ordinary shares: equity-based long-term incentive plans and share options. The potential shares were not dilutive in 2016 as the Group made a loss per share.

	2017	2016
	£'000	£'000
Profit/(loss) attributable to owners of the parent	2,715	(18)
Weighted average diluted number of Ordinary Shares	469,343,547	446,042,831
Diluted profit/(loss) per share	0.58 pence	(0.00) pence

	2017	2016
Weighted average number of Ordinary Shares in issue	463,098,526	446,042,831
Adjustment for:		
– Assumed conversion of share awards	2,201,081	-
– Assumed payment of equity deferred consideration	4,043,940	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	469,343,547	450,086,771

7. Dividends

There were no dividends paid or proposed by the Company in either year. The Board's policy is to enhance shareholder value mainly through the growth of the Group, and through a programme of share buy backs. The Board will however consider the payment of dividends if and when appropriate.

8 Cash used in operations

	Group	
	2017 £'000	**2016 £'000**
Profit/(loss) before tax	4,307	(1,003)
Adjustments for:		
– Depreciation	1,160	1,209
– Amortisation	3,463	3,752
– Warranty claim	(339)	(129)
– Loss on disposal of fixed assets	(33)	30
– Restructure of operations	-	(360)
– Share-based payments	1,510	220
– Escrow cancellation	(1,371)	-
– Fair value adjustment	369	208
– Foreign exchange	233	481
– Bad debt written down	-	-
– Net finance costs	53	468
Changes in working capital		
– Inventories	306	2,767
– Trade and other receivables	1,535	(1,127)
– Trade and other payables	(1,075)	2,300
Net cash generated by operations	10,118	8,816

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

Group	**2017 £'000**	2016 £'000
Net book value	95	241
Loss on disposal of property, plant and equipment	33	(30)
Proceeds from disposal of property, plant and equipment	128	211

Non-cash transactions
The principal non-cash transactions are; movements on deferred consideration provisions; the fair value adjustment relating to the deferred equity consideration in respect of EKF Germany, the warranty claim, and release of accruals no longer required.