20 March 2017

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, is pleased to announce its final results for the year ended 31 December 2016.

Financial Highlights

- Revenue up 28% to £38.6m (2015: £30.0m)
- Gross profit up 24% to £18.3m (2015: £14.7m)
- Adjusted EBITDA* of £6.1m (2015: loss of £0.3m)
- Cash generated from operations of £8.8m (2015: £2.9m used)
- Cash at 31 December 2016 of £7.9m (31 Dec 2015: £2.0m), Net cash of £2.2m (31 Dec 2015: £8.8m Net debt)

** Excluding exceptional items and share based payments*

Operational Highlights

- Successful restructuring programme focusing the business on profitability and organic sales growth
- Strong organic growth delivered across all 3 Point-of-Care business areas and Central Laboratory
- 13,650 analysers and 69m tests sold worldwide in 2016
- Business stability has allowed strategically key new products to be identified for further development

Additional update for shareholders

The Company has announced this morning that it is evaluating plans to split the Group into two separate companies with the purpose of seeking to achieve a fair reflection of the value of each separate business.

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

"Much has been done very quickly to turn the Group around, however work continues to simplify the business to allow the management team to concentrate on making it more cost efficient so that we can service our growing customer base and build for the future. I am confident that shareholders will see the continuing benefits of this in 2017 and we are currently trading in line with management's expectations."

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CHAIRMAN'S STATEMENT

A year ago I stated that the Board intended to rebuild shareholder value by stabilising the business, growing it organically, and implementing further reductions in the cost base. The very significant progress that has been made so far towards fulfilling these aims is shown in these results.

Strategy and restructuring

Following the divestment of Selah Genomics Inc. in December 2015 and the mothballing of the UK molecular diagnostics business, the Group's activities are focused on point-of-care and the related central laboratory reagents business, and it remains our intention to concentrate on these. Efforts to reduce cost and simplify the business have been and are continuing. The operations of DiaSpect in Sailauf have been closed and integrated into our main European manufacturing site in Barleben. In addition the STI site in Sanford, Florida, has been shut down and manufacturing and sales brought into our main USA site in Boerne, Texas. As a result, staff numbers have reduced to 299 at year end, over 100 lower than its peak.

The reduction in staff has resulted in large part in the achievement of cost savings in excess of the £6.7m target in 2016. These savings are expected to make a continuing impact in 2017.

Despite the changes resulting from restructuring, revenue is sharply up, with improvements coming across the board. In turn this has led to an improvement in earnings and to significant cash generation from operations, which, added to the proceeds from a share issue in June, has allowed the Group to move to having net cash as at 31 December 2016.

Additional update for Shareholders

This morning we have announced that the Directors are currently evaluating plans under which they would split the Company into two separate companies based on the business divisions, namely Point of Care and Lab Diagnostics. Whilst both these business divisions are valuable in their own right, the Directors consider that separating the companies out represents a better route for shareholders and one under which they are more likely to achieve a fair reflection of the value of each separate business.

Further detail is contained in the separate announcement.

We are sympathetic to individual investors' requirements and therefore in order to provide those shareholders that do not wish to wait for the completion of the restructuring and subsequent potential sale of the two businesses with an exit, the Company is evaluating the possibility of a share buyback offer to shareholders. This share buyback offer would, if completed, be prior to the commencement of the separation and would be at a price of 21.5p per share.

Results overview

Please refer to the Chief Executive's statement which contains a review of the year and the Finance Director's Review which provides an overview of the financial performance.

Board

Ron Zwanziger, Lurene Joseph, and David Evans left the Board during the year, and Carl Contadini and I both joined. Carl has worked with me for many years and is an expert at cost control and containment. The Non-executive Directors waived their fees during the year.

Outlook

Much has been done very quickly to turn the Group around, however work continues to simplify the business to allow the management team to concentrate on making it more cost efficient so that we can service our growing customer base and build for the future. I am confident that shareholders will see the continuing benefits of this in 2017, and we are currently trading in line with management's expectations.

Christopher Mills
Non-executive Chairman

20 March 2017

CHIEF EXECUTIVE'S REVIEW

Operations

I am delighted to report that 2016 has been a year of positive transformation which has seen a strong performance across the Group which exceeded market forecasts which themselves had been upgraded throughout the year. We have seen a considerable improvement in revenue growth and profitability, with cash generation strong over the year which coupled with a successful share placing in June 2016 allowed us to move into a net cash position and significantly reduce our borrowings.

This turnaround has been achieved with quite remarkable speed, and all employees can be very proud of these results. Our plans for 2017 are equally as ambitious.

Structural change

Actions taken in 2016 have built upon those started in 2015 and before. Our small remaining presence in Ireland has ended and the biomarker business line has been sold to a third party for a nominal sum. The residual staff who had been located in the former Quotient facility in Walton-on-Thames, UK, have also left the Group, and the building handed back to the landlords. The STI facility in Sanford, Florida was closed in Q3, and all activities transferred to our main US facility in Boerne, Texas. A small number of staff have transferred or are continuing to operate from home offices. As part of this transfer we have taken the opportunity to review and rationalise the STI product range. Finally, the DiaSpect facility in Sailauf, Germany has been closed down. Administrative, sales, and finance functions are now integrated into our main European factory in Barleben in Germany. The manufacturing operations have been transferred to DiaSpect's long term third party sub-contractor, which has also taken occupancy of that part of the Sailauf facility they did not already occupy. We have therefore now concentrated operations on eight sites, a reduction of four. We are continuing to review operations to minimise costs and maximise efficiency.

As a result of the structural changes, the number of employees has reduced from a peak of 403 in early 2015 to 299 by December 2016. Regrettably much of this reduction has had to be achieved through compulsory redundancy, and we offer former employees our best wishes for the future.

Point-of-Care

Our Point-of-Care business has seen a very successful year. EKF's business model is to sell analysers into the market and then benefit from the ongoing revenue stream generated by sales of the dedicated consumables. Over the last four years we have sold almost 70,000 analysers for use worldwide, and in 2016 we supplied almost 70m tests for use on these, an increase of 9.8% over the previous year.

i. Hematology

Sales of Hematology products have increased by 58% to £11.70m (2015: £7.37m), with revenues benefiting from the return of US HemoPoint H2 sales to EKF control from Alere in June 2016. This has led to improved margin and sales, with US sales of HemoPoint H2 (sold as Hemo Control in the rest of the world) up 101% year-on-year. Sales of DiaSpect Tm are up 53%.

ii. Diabetes

In Diabetes, revenues were up by 58% year-on-year to £10.20m (2015: £6.46m), with a particularly successful year for Biosen (up 79% year-on-year) and Quo-Test (up 62%). We have continued to supply Quo-Test products to Saudi Arabia under the tender won in 2015, and have been awarded a follow up contract for 2016-17. Registration issues which had caused Biosen sales to China to pause in 2015 have now been solved, which is reflected in the rise in overall unit sales. Sales of STAT-Site M β-HB rose by 143% over the previous year.

iii. Maternal & Women's Health

Revenues from our products that address aspects of maternal and women's health increased by 17% to £2.88m (2015: £2.46m). This has been driven by an improvement in sales of our Lactate Scout product line which are up by 31%, and pregnancy tests sales have increased by 10%.

Central Laboratory

Our Central laboratory sales show an overall improvement of 39% on the previous year to £12.05m (2015: £8.70m), and

have continued to be driven by our β-HB Liquicolor reagent product. β-HB sales were up by 76% and we have continued to sign up additional hospitals in the US, resulting in sales doubling since 2012. We have had some success with our Altair 240 analyser product and are continuing to sign up distributors especially in Asia and the Middle East. As a result, Clinical Chemistry sales, which included our first Altair 240 sales were up 19%. Sales of our enzymes rose by 26% compared to last year. Our efforts in this segment are concentrating on building markets while continuing to increase penetration of our β-HB product.

New products

The new building at Barleben commenced in 2015 has now been completed and operations are beginning to move in. The building will house a number of new and updated production lines where we have determined that highly targeted capital expenditure can improve efficiency and capacity.

We took a conscious decision in early 2016 to concentrate on product development plus the development of technologies already owned by EKF. Not surprisingly this has meant that there has been relatively little movement in developing new products, with the majority of effort being expended on improving the quality of existing products. However our connectivity solutions for point-of-care instruments have been showcased at distributor shows such as Medica. With cash flow much improved we are focussing on the development of our sTNFR biomarker (early detection of end stage renal disease in diabetic patients), SensPoint (maternity care) and the redevelopment of our Lactate Scout for ambulatory care (early indication of Sepsis).

Outlook

The actions taken to turn around the Group in 2016 have had rapid and significant positive effects. We now have a stable platform for further growth based on driving the existing business and continuing to reduce cost.

Julian Baines
Chief Executive Officer

20 March 2017

FINANCE DIRECTOR'S REVIEW

Results
2015 results show Selah Genomics Inc as a discontinued business.

Revenue
Revenue for the year was £38.6m (2015: £30.0m), an increase of 28%. Of the increase, 15.3% was the result of improvements in foreign currency exchange rates, largely because of the fall in the value of sterling against the US dollar and Euro in the second 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 2016 £'000	FY 2015 £'000	+/-%
Hematology	11,704	7,371	+59%
Diabetes Care	10,203	6,463	+58%
Maternal Health	2,880	2,455	+17%
Central Laboratory	12,051	8,701	+39%
Other	1,751	5,055	-65%
Total revenue	38,589	30,045	+28%

Gross profit
Gross profit increased to £18.3m (2015: £14.7m). The gross margin percentage on sales was 47.5% (2015: 48.8%), a further small decrease. This was once again affected by additional provisions taken against older stock balances.

Administration costs and research and development costs
Administration expenses have fallen substantially to £18.7m (2015: £29.2m). While 2015 had seen a sharp rise over the previous year, the reduction shows the effect of the cost saving programmes put in place during the year. Excluding depreciation, amortisation, and exceptional items, administration expenses were £14.0m (2015: £16.3m), a 14.1% reduction. R & D costs included in administration expenses were £2.0m, with a further £0.6m being capitalised as an intangible cost. Gross R & D expenses have therefore reduced from £5.4m in 2015 to £2.6m this year.

The charge for depreciation of fixed assets and amortisation of intangible assets is £5.0m (2015: £8.1m). There have been no impairments during 2016, following the refocusing of the business in late 2015 on our core products.

Exceptional items mainly relate to provisions made and costs incurred in the closures and relocations of the DiaSpect and STI manufacturing sites, offset by the release of an unutilised provision relating to EKF Molecular.

Operating profit and adjusted earnings before interest tax and depreciation
The Group made a small operating loss of £0.3m (2015: £14.3m). While this shows very considerable improvement, it indicates that there remains work to be done on increasing profitability. 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 2016 we achieved adjusted EBITDA of £6.1m (2015: loss of £0.3m). 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 £1.0m (2015: £0.2m) and exceptional losses of £0.5m (2015: £5.7m). Of the increase in adjusted EBITDA of £6.4m, £1.1m 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 £0.7m in 2016 (2015: £1.4m). This is largely as a result of lower charges relating to the discounting of deferred consideration than in previous years. External debt has been reduced during 2016 which should lead to lower debt interest in 2017 and beyond.

Tax
There is an income tax credit of £1.2m (2015: £2.2m). This is largely because of a tax refund received in the USA relating to the carry back of losses against previous years.

Balance sheet

Property, plant and equipment
Additions to fixed assets were £1.3m (2016: £2.3m) of which £0.6m related to the completion of the new building at Barleben.

Intangible assets
The increase in value of intangible assets from £42.9m to £46.5m is almost entirely attributable to foreign exchange movements as intangibles on consolidation are denominated in the functional currency of the underlying businesses, offset by the annual amortisation charge.

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 expected to take place in 2017.

Cash and working capital
At 31 December 2015, borrowings included a secured convertible loan of £3.0m from Zwanziger Family Ventures LLC (ZFV), a company associated with the Zwanziger family. This was repaid in April 2016 from the proceeds of a new loan of £3.0m from North Atlantic Smaller Companies Investment Trust PLC, a company associated with Christopher Mills. This in turn was repaid from the proceeds of a share placing which took place in June 2016, and raised £4.5m net of expenses. Gross cash rose in the year from £2.0m to £7.9m, and at the same time borrowings decreased from £10.8m to £5.7m. As a result the Group moved from having net debt of £8.8m to having net cash of £2.2m by the 2016 year end. Of the improvement in net debt, £6.5m has been generated internally.

Inventory has reduced to £6.0m (2015: £8.2m). Some of the reduction has come from efforts made to reduce inventory during the year and the remainder from increased inventory provisions.

Both receivables and payables have increased, reflecting increased activity during the year.

Richard Evans
Finance Director and Chief Operating Officer

20 March 2017

CONSOLIDATED INCOME STATEMENT

	Notes	**2016 £'000**	2015 £'000
Revenue	2	**38,589**	30,045
Cost of sales		**(20,267)**	(15,376)
Gross profit		**18,322**	14,669
Administrative expenses		**(18,734)**	(29,156)
Other income		**85**	139
Operating loss		**(327)**	(14,348)
Depreciation and amortisation		**(4,961)**	(8,052)
Share-based payments		**(973)**	(226)
Exceptional items	3	**(532)**	(5,722)
EBITDA before exceptional items and share-based payments		**6,139**	(348)
Finance income	4	**37**	35
Finance costs	4	**(713)**	(1,457)
Loss before income tax		**(1,003)**	(15,770)
Income tax credit	5	**1,172**	2,206
Profit/(loss) for the year from continuing operations		**169**	(13,564)
Loss for the year from discontinued operations attributable to the equity holders of the Company		**-**	(23,369)
Profit/(loss) for the year		**169**	(36,933)
Profit/(loss) attributable to:			
Owners of the parent		**(18)**	(37,123)
Non-controlling interest		**187**	190
		169	(36,933)

		Pence	Pence
Loss per Ordinary Share attributable to the owners of the parent during the year			
Basic			
From continuing operations	6	(0.00)	(3.26)
From discontinued operations	6	-	(5.54)
		(0.00)	(8.80)
Diluted			
From continuing operations	6	(0.00)	(3.26)
From discontinued operations	6	-	(5.54)
		(0.00)	(8.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2016 £'000**	2015 £'000
Profit/(loss) for the year – continuing		169	(13,564)
Loss for the year - discontinued		-	(23,369)
Profit/(loss) for the year		169	(36,933)
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss			
Recycling of currency translations in respect of previously held interest in Selah Genomics		-	(4,479)
Currency translation differences		9,343	792
Other comprehensive gain/(loss) for the year		9,343	(3,687)
Total comprehensive gain/(loss) for the year		9,512	(40,620)
Attributable to:			
Owners of the parent		9,198	(40,756)
Non-controlling interests		314	136
Total comprehensive gain/(loss) for the year		9,512	(40,620)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group 2016 £'000	Group 2015 £'000
Assets		
Non-current assets		
Property, plant and equipment	12,124	10,680
Intangible assets	46,503	42,927
Investments	152	402
Deferred tax assets	371	340
Total non-current assets	59,150	54,349
Current assets		
Inventories	6,025	8,234
Trade and other receivables	9,370	7,242
Deferred tax assets	13	47
Cash and cash equivalents	7,874	2,017
Total current assets	23,282	17,540
Total assets	82,432	71,889
Equity attributable to owners of the parent		
Share capital	4,643	4,221
Share premium account	95,393	91,276
Other reserve	41	41
Foreign currency reserves	5,609	(3,607)
Retained earnings	(45,236)	(45,438)
	60,450	46,493
Non-controlling interest	521	261
Total equity	60,971	46,754
Liabilities		
Non-current liabilities		
Borrowings	1,130	1,167
Deferred tax liabilities	3,751	3,559
Total non-current liabilities	4,881	4,726
Current liabilities		
Trade and other payables	9,401	8,331
Deferred consideration	693	485
Current income tax liabilities	1,160	1,087
Deferred tax liabilities	738	831
Borrowings	4,588	9,675
Total current liabilities	16,580	20,409
Total liabilities	21,461	25,135
Total equity and liabilities	82,432	71,889

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Group 2016 £'000**	Group 2015 £'000
Cash flow from operating activities			
Cash generated by/(used in) operations	8	8,816	(2,914)
Interest paid		(496)	(370)
Income tax received/(paid)		623	(1,001)
Net cash generated by/(used in) operating activities		8,943	(4,285)
Of which discontinued		-	(2,412)
Cash flow from investing activities			
Sale of investments		250	-
Purchase of property, plant and equipment (PPE)		(1,261)	(2,296)
Purchase of intangibles		(663)	(3,096)
Proceeds from sale of PPE		211	42
Interest received		37	35
Net cash (used in)/generated by investing activities		(1,426)	(5,315)
Of which discontinued		-	(136)
Cash flow from financing activities			
Proceeds from issuance of Ordinary Shares		4,539	-
New loans		5,957	7,922
Repayments on borrowings		(12,555)	(3,000)
Dividend payment to non-controlling interest		(54)	(228)
Payment of deferred consideration		-	(1,425)
Net cash (used in)/generated by financing activities		(2,113)	3,269
Of which discontinued		-	2,426
Net increase/(decrease) in cash and cash equivalents		5,404	(6,331)
Cash and cash equivalents at beginning of year		2,017	8,346
Exchange gains on cash and cash equivalents		453	2
Cash and cash equivalents at end of year		7,874	2,017

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 2015	**4,221**	**91,276**	**41**	**26**	**(8,541)**	**87,023**	**353**	**87,376**
Comprehensive income								
(Loss)/profit for the year - continuing	-	-	-	-	(13,754)	**(13,754)**	190	**(13,564)**
(Loss)/profit for the year - discontinued	-	-	-	-	(23,369)	**(23,369)**	-	**(23,369)**
Other comprehensive income								
Recycling of currency translations in respect of previously held interest in Selah Genomics Inc	-	-	-	(4,479)	-	**(4,479)**	-	**(4,479)**
Currency translation differences	-	-	-	846	-	**846**	(54)	**792**
Total comprehensive (expense)/income	**-**	**-**	**-**	**(3,633)**	**(37,123)**	**(40,756)**	**136**	**(40,620)**
Transactions with owners								
Dividends to non-controlling interest	-	-	-	-	-	**-**	(228)	**(228)**
Share-based payments	-	-	-	-	226	**226**	-	**226**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**226**	**226**	**(228)**	**(2)**
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	**4,643**	**95,393**	**41**	**5,609**	**(45,236)**	**60,450**	**521**	**60,971**

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 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 2016 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. The consolidated financial statements were authorised for issuance on 20 March 2017. This preliminary announcement was approved by the Board of Directors on 20 March 2017. 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 2015 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 2016 by 18 April 2017, 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 Wednesday 10 May 2017.

2. Geographic sales

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

	2016 £'000	2015 £'000
Americas		
United States of America	15,122	10,857
Rest of Americas	3,979	3,394
Europe, Middle East and Africa (EMEA)		
Germany	6,082	5,057
United Kingdom	276	238
Rest of Europe	2,761	2,637
Russia	2,687	2,259
Middle East	2,870	1,676
Africa	882	916
Rest of World		
China	929	677
Rest of Asia	2,922	2,242
New Zealand/Australia	79	92
Total revenue	38,589	30,045

No single external customer represented more than 10% of revenues in either 2016 or 2015.

3. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	Note	**2016 £'000**	2015 £'000
– Warranty claim	a	**129**	(349)
– Business reorganisation costs	b	**(661)**	(727)
– Transaction costs relating to business combinations	c	**-**	(178)
- Impairment charges – other	d	**-**	(5,948)
– Release of deferred consideration provisions	e	**-**	7,353
- Impairment of investment	f	**-**	(750)
- Bad debts written off	g	**-**	(5,123)
Exceptional items		**(532)**	(5,722)

(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 with the closure of STI and DiaSpect's Sailauf facility, the transfer of production of Quo-Test and Quo-Lab to Germany, and other restructuring activities.
(c) Transaction costs in 2015 relate to additional costs of acquisition in the previous year.
(d) Impairment of EKF Molecular Diagnostics Ltd, and the remaining value of EKF Ireland and capitalised R & D.
(e) Reduction of carrying value of deferred contingent consideration associated with EKF Molecular and Stanbio.
(f) Impairment of investment in DX Economix Inc.
(g) Write off of bad debts associated with certain customers in Mexico.

4. Finance income and costs

	2016 £'000	2015 £'000
Finance costs:		
– Bank borrowings	338	312
– Other interest	158	50
– Financial liabilities at fair value through profit or loss – losses/(gains)	208	(395)
– Deferred consideration-unwinding of discount (note 27)	-	1,482
– Convertible debt	9	8
Finance costs	713	1,457
Finance income		
– Interest income on cash and short-term deposits	37	34
– Other interest	-	1
Finance income	37	35
Net finance costs	676	1,422

5. Income tax

Group	**2016 £'000**	2015 £'000
Current tax:		
Current tax on loss for the year	1,602	220
Adjustments for prior periods	(2,219)	(76)
Total current tax	(617)	144
Deferred tax (note 28):		
Origination and reversal of temporary differences	(555)	(2,350)
Total deferred tax	(555)	(2,350)
Income tax credit	(1,172)	(2,206)

The Finance Act 2015 which was substantially enacted in 2015 included legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2019 and the Finance Act 2016 which was substantially 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 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:

	2016 £'000	2015 £'000
Loss before tax	**(1,003)**	(15,770)
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 20% (2015: 20%)	**(201)**	(3,154)
Tax effects of:		
– Expenses not deductible for tax purposes	**390**	5,518
– Losses carried forward	**(63)**	(4,628)
– Adjustment in respect of prior years	**(2,219)**	76
– Impact of different tax rates in other jurisdictions	**428**	(272)
– Other movements	**493**	254
Income tax credit	**(1,172)**	(2,206)

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.

	2016 £'000	2015 £'000
Loss attributable to owners of the parent	(18)	(37,123)
Loss from continuing operations attributable to equity holders of the company	(18)	(13,754)
Loss from discontinued operations attributable to equity holders of the company	-	(23,369)
Weighted average number of Ordinary Shares in issue	446,042,831	422,057,074
Basic loss per share	(0.00) pence	(8.80) pence
Basic loss per share from continuing operations	(0.00) pence	(3.26) pence
Basic loss per share from discontinued operations	-	(5.54) 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 2016 or 2015 as the Group has made a loss per share.

	2016 £'000	2015 £'000
Loss attributable to owners of the parent	(18)	(37,123)
Loss from continuing operations attributable to equity holders of the company	(18)	(13,754)
Loss from discontinued operations attributable to equity holders of the company	-	(23,369)
Weighted average diluted number of Ordinary Shares	446,042,831	422,057,074
Diluted loss per share	(0.00) pence	(8.80) pence
Basic loss per share from continuing operations	(0.00) pence	(3.26) pence
Basic loss per share from discontinued operations	-	(5.54) pence

	2016 £'000	2015 £'000
Weighted average number of Ordinary Shares in issue	446,042,831	422,057,074
Adjustment for:		
– Assumed conversion of share awards	-	4,272,819
– Assumed payment of equity deferred consideration	4,043,940	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	450,086,771	430,373,833

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. The Board will consider the payment of dividends if and when appropriate, however the Company at present does not have available cash and has a significant deficit on reserves.

8 Cash used in operations

	Group	
	2016 £'000	**2015 £'000**
Loss before tax	(1,003)	(15,770)
Adjustments for:		
– Depreciation	1,209	1,173
– Amortisation	3,752	6,879
– Impairment of intangibles, excluding discontinued business	-	5,948
– Impairment of investment	-	750
– Warranty claim	(129)	349
– Loss on disposal of fixed assets	30	5
– Restructure of operations	(360)	(2,055)
– Share-based payments	220	226
– Release of deferred consideration	-	(7,353)
– Fair value adjustment	208	(395)
– Foreign exchange	481	432
– Bad debt written down	-	5,123
– Net finance costs/(income)	468	1,817
Changes in working capital		
– Inventories	2,767	(2,760)
– Trade and other receivables	(1,127)	1,901
– Trade and other payables	2,300	816
Net cash generated by/(used in) operations	8,816	(2,914)

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

Group	**2016 £'000**	2015 £'000
Net book value	241	47
Loss on disposal of property, plant and equipment	(30)	(5)
Proceeds from disposal of property, plant and equipment	211	42

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.