



7 April 2020

*This announcement contains inside information  
for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR)*

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

**Final results**

EKF Diagnostics Holdings plc (AIM: EKF), the AIM quoted point-of-care business, announces its final results for the year ended 31 December 2019.

Following on from the trading update announced on 24 March 2020, we now present audited results. The narrative sections containing the Chairman's, Chief Executive's and Finance Director's Reviews are not materially different from those included in the trading update; however, the dividend timetable has been altered to move the ex-dividend date to 6 November 2020.

**COVID-19 update – key points**

The safety of employees, customers, suppliers, and all other people with whom the Group interacts is of over-riding importance to the Group. The Group is complying with governmental advice and requirements across its operations, with many employees able to continue working from home with minimal disruption to the Group's day-to-day operations.

- Contract manufacturing opportunity with Longhorn Vaccines and Diagnostics, USA, for specimen collection tubes for COVID-19 testing – initial orders c. \$1m and expected to grow significantly
- Robust plan in place to mitigate the effect of the disruption on the business
- Substantial net cash balances of £14.3m as at close of business on 20 March 2020 with continuing strong free cashflow
- Demand for diabetes and haemoglobin tests remains, with patients using these tests being in the higher risk category for COVID-19
- German state approval received to keep Barleben manufacturing facility open in event of a lockdown
- Current beneficial exchange rates as a US Dollar / Euro denominated business, with a natural currency hedge across operations in the UK, US and Europe

**Financial Highlights for the year ended 31 December 2019**

- Revenue up 6% to £44.9m (2018: £42.5m)
- Gross profit up 4% to £23.7m (2018: £22.7m)
- Adjusted EBITDA\* up 12% to £12.0m (2018: £10.7m)
- Profit before tax £5.5m (2018: £12.2m; £5.8m excluding exceptional gain from Renalytix AI plc spin-out)
- Basic Earnings per share of 0.81p (2018: 2.21p), underlying Basic Earnings per share\* of 1.20p (2018: 1.01p)
- Cash generated from operations of £6.5m (2018: £9.9m)
- Cash at 31 December 2019 of £12.1m (2018: £10.3m), net cash of £11.4m (2018: £9.4m)
- Maiden dividend preserved and payable to shareholders on 1 December 2020

*\* Excluding exceptional items and share based payments*

**Operational Highlights for the year ended 31 December 2019**

- McKesson OEM of DiaSpect Tm successfully launched with positive first six months of business
- Successful completion of early stage development batches of a bulk dietary ingredient for Ixcela, Inc.
- Mount Sinai agreement provides EKF with advanced access to innovative commercial opportunities

**Christopher Mills, Non-Executive Chairman of EKF, commented:**

*“With good cash resources and a business which is growing strongly, EKF has moved into a phase where we are confident that we can provide an income for shareholders and the prospect of significant upside from our relationships with MSIP and others. Trading in 2020 to date has been satisfactory and in line with management expectations.*

*“Despite these difficult times, EKF is in a very strong position. We have a substantial net cash balance, continuing solid positive cash flow and the business remains robust. We see significant opportunities globally, particularly within the USA. Being a medical device company focussing on tests monitoring diabetes and haemoglobin, both conditions putting patients in higher risk categories should they contract COVID-19, EKF is well positioned to assist the medical and scientific community.”*

**EKF Diagnostics Holdings plc**

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**About EKF Diagnostics Holdings plc ([www.ekfdiagnostics.com](http://www.ekfdiagnostics.com))**

EKF is a leading point-of-care diagnostics and central laboratory assay manufacturer with an estimated 80,000 hemoglobin, hematocrit, HbA1c, glucose and lactate analyzers in regular use across more than 100 countries. EKF specializes in developing tests for use in anemia and diabetes diagnosis and management, as well as providing a portfolio of reagents for use in clinical chemistry analyzers.

A presentation for investors is available to view here: <https://www.ekfdiagnostics.com/documents-reports.html>. A further announcement will be made when the annual report and accounts for the year ended 31 December 2019 (incorporating the notice of Annual General Meeting) has been made available online at the same web address; hard copies will be sent to shareholders who have opted to receive materials in this format at the same time.

## COVID-19 update

As can be seen in the detailed trading review the business performed well in 2019. Trading in 2020 to date has been satisfactory and in line with management expectations. We believe the outlook for 2020 is positive for the following reasons:

1. EKF has substantial net cash balances (£14.3m as at 20 March 2020);
2. EKF has strong free cashflow;
3. The business remains robust due to the demand for diabetes and haemoglobin tests, which we expect to be in part driven by the fact that patients that need these tests are also in the at higher risk category for contracting COVID-19; and
4. EKF benefits from the exchange rate as we are a dollar and Euro denominated business. EKF is also able to manage currency across its operations in the UK, US and Europe.

### *Production scale up for COVID-19 test component demand*

EKF Diagnostics is rapidly scaling up production for the US and globally to meet the demand of one of the core components in the COVID-19 molecular testing supply chain, PrimeStore MTM. Sample collection and transport is an essential part of COVID-19 testing as PrimeStore MTM is the first and only US FDA Cleared Microbial Nucleic Acid Storage and Transport Device and was designed for viral pandemics. PrimeStore MTM deactivates the pathogens in the sample, rendering them non-infectious, allowing for safe transport and laboratory handling. Samples collected using this device can also be maintained at ambient temperature for days, eliminating the need for cold chain procedures, and handled at laboratories with a lower biosafety containment rating than is otherwise required. This has the benefit of significantly increasing the number and spread of laboratories able to handle samples.

EKF Diagnostics is an existing contract manufacturing partner of Longhorn Vaccines and Diagnostics LLC (LHNVD), the inventor and owner of PrimeStore MTM. We have seen growing demand for the sample collection device manufactured at our Boerne Texas site. Initial purchase orders are nearing \$1m and we expect that to continue to grow significantly.

### *Operational mitigation*

The recent COVID-19 pandemic has created uncertainty in the market in the short term. Many countries are either closed or on the verge of being shut down, and government action is having a significant effect on economies across world. The eventual severity and length of the economic disruption is impossible to forecast. We believe we have a robust plan in place to mitigate the effect of the disruption on the business including taking the following actions (amongst others):

- Organising for as many staff as possible to work from home
- Improving our computer networking to facilitate remote working
- Gaining designation as a company essential to basic medical care which allows our premises to remain open even in a lockdown – we have already gained approval from the German authorities to keep the Barleben factory open in such circumstances
- Improved social distancing by limiting physical meetings, expanding flexible working, and altering production practices
- Preparing requests for support from local authorities should we have to reduce working hours
- Banning international travel and limiting domestic travel
- Increasing supplier and customer contact so as to be able to anticipate issues and react quickly
- Increasing raw material stock holding
- Increasing cleaning and disinfection cycles

We have insurance cover in place in case there is a loss of business, although it cannot be guaranteed that cover will be sufficient to protect against all eventualities.

At the date of this announcement we have seen limited disruption to either our customer or supplier logistics (although we have noticed some increases in the cost of airfreight). Revenue generation from our core business has been very largely unaffected. Indeed, we are now providing a key component into the COVID-19 testing supply chain. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control.

As a result of our current strong cash balances and robust business, we are confident that the business can survive even catastrophic reductions in revenue for at least the next 12 months.

#### *Conclusion*

Despite these difficult times, EKF is in a very strong position. The Company has a substantial net cash balance, continuing solid positive cash flow, and the business remains robust. The Company has significant opportunities globally, particularly within the USA. Being a medical device company focussing on tests monitoring diabetes and haemoglobin (patients with these conditions are in a higher risk category regarding COVID-19), EKF is well positioned to assist the medical and scientific community.

## **Chairman's Statement**

It gives me great pleasure to be able to report that EKF continues to perform strongly, with excellent growth in revenues and earnings. The core business has grown revenue at a steady rate and adjusted earnings before interest, depreciation and amortisation (AEBITDA) at a much faster rate.

### **Strategy**

The core strategy of the business remains unchanged. It is threefold:

- 1) to continue to build our installed base of point-of-care analysers which then generate an ongoing stream of revenue through the sale of proprietary consumables;
- 2) to supply a range of clinical chemistry reagents for use on our own and third party analysers; and
- 3) to grow our contract and partnership enzyme manufacturing business.

To this core, we have added our Preferred Partnership Agreement ("PPA") with Mount Sinai Innovation Partners ("MSIP") which allows us advanced access to innovative commercial opportunities arising from certain technologies managed by MSIP.

### **MSIP Preferred Partnership Agreement**

MSIP is responsible for driving the real-world application and commercialisation of discoveries and inventions made within the Mount Sinai Health System ("MSHS"), New York's largest integrated healthcare delivery system.

EKF has established a longstanding and close working relationship with MSIP, through the highly successful spin-off of Renalytix AI plc, the developer of artificial intelligence-enabled diagnostics for kidney disease, made in close collaboration with the Icahn School of Medicine at Mount Sinai ("Mount Sinai"), the medical school of MSHS. This collaboration has already delivered considerable value to EKF shareholders. This new agreement with MSIP provides a framework to explore other commercial opportunities together and to select and support pioneering medical approaches that could make a major difference to people's lives around the world, as well as much-needed improvements in healthcare economics.

The PPA, which is non-exclusive, provides EKF with access to opportunities which benefit from a clinician and demand-focused approach to developing commercially relevant healthcare products and services, and access to deep domain expertise in clinical disciplines and academia, commercial healthcare enterprises and other key stakeholders in the US healthcare market.

In connection with the PPA, the Company has signed a non-binding term sheet with MSIP, which will allow the Company to explore the opportunity to support the licensing of technology originating from Mount Sinai to establish a novel digital health platform for earlier intervention in and better management of the care pathway for patients with Inflammatory Bowel Disease ("IBD"). Better evaluation and personalised management of IBD patients, including the implementation of appropriate care delivery pathways in a more timely manner than current practice allows, is expected to deliver better healthcare outcomes (including quality of life) and on a more cost-effective basis than current approaches.

Work on bringing this opportunity to fruition is ongoing, and we will update shareholders with progress in the future. We anticipate that other opportunities will flow from the PPA in due course.

### **Renalytix AI plc ("RenalytixAI")**

In November 2018 RenalytixAI, a spin-out from EKF, was separately floated on AIM, with 20,964,295 RenalytixAI shares having been distributed by EKF to shareholders just prior to the float. At 31 December 2019 the RenalytixAI share price was £3.64 per share or an equivalent market value of the dividend to EKF shareholders at that date of £76.3m, which represents approximately 16.8p of incremental value received per EKF share.

In April 2019 we purchased a further 100,074 RenalytixAI shares at a price of just under £1.236 pence per share, to add to the holding acquired in the initial public offering, bringing our total holding to 2,677,981 shares. At 31 December 2019 these were held at a fair value of £9.75m. The unrealised gain of £6.50m on these shares has been taken to Other Comprehensive income. While global events since year end have reduced the RenalytixAI share price, the company continues to make significant progress against its objectives, which have been and continue to be delivered at a far greater pace than that thought possible at the time of its IPO in November 2018. The Board considers there to be very substantial further value accretion to come from EKF's continuing investment in RenalytixAI.

### **Share capital**

During the year to 31 December 2019 we have not utilised the permission we hold from shareholders to acquire shares for cancellation. It remains our intention to do so when appropriate.

We have continued the process of simplifying our share capital through the cancellation of 250,000 share options at the election of the holder, in return for a small payment.

### **Dividend**

We are pleased to confirm that, given the progress in EKF's business and its strong cash generation, it remains our intention to make an inaugural dividend payment to shareholders of 1p per ordinary share, as previously indicated. If approved by shareholders at the Company's next annual general meeting, payment will be on 1 December 2020 to shareholders on the register on 6 November 2020.

### **Cash-settled share-based incentive**

The Company operates a cash-settled, share based incentive for the Executive Directors, which is designed to pay out in the event that the Company is acquired by a third party (an "Exit"). Since the date of implementation of the Incentive in June 2016, the EKF share price had nearly trebled by late 2019 and the Company has moved from being loss making into EBITDA profitability and from being cash consumptive to strongly cash generative. In addition, EKF shareholders have benefitted from the additional material value deriving from the establishment and spin-out of RenalytixAI.

Reflecting this delivery of value to shareholders by the Executive Directors, EKF's Remuneration Committee determined that, in the absence of any other performance-related pay mechanism, it was appropriate to distribute, as performance-related pay, a portion of the amount that would otherwise be payable under the Incentive on an Exit. The determination followed consultation with a majority of shareholders representing over 60% of the total voting rights in the Company, who were in support of the proposed action.

The Executive Directors each received an equal payment of approximately £1.345 million in November 2019, comprising a baseline payment for value creation up to a 20 pence share price, plus a variable amount calculated as to 5% of the excess value over 20 pence per share, calculated using a reference share price of 27 pence.

Any future amounts payable to the Executive Directors under the Incentive in the event of an Exit shall be reduced by all previously paid amounts, including the payment of £200,000 to each of the Executive Directors in 2017. Accordingly, the aggregate amount payable to them under the Incentive is unchanged by the payments described above and the total value available to Shareholders on an Exit will be unaffected. The Remuneration Committee considers that the remaining unpaid amounts under the incentive continue to provide strong motivation to the Executive Directors, who will receive a further potential variable reward in the event of an Exit, equal to 5% of the excess value obtained over 27 pence per share.

### **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 and Corporate Governance**

All Board members have served throughout the year. The Board continues to believe that the current make-up of the Board is appropriate.

We have adopted the corporate governance code issued by the Quoted Company Alliance. Further details of compliance are found in the Corporate Governance Statement and on the Company's website.

## **Outlook**

With good cash resources and a business which is growing strongly, EKF has moved into a phase where we are confident that we can provide an income for shareholders and the prospect of significant upside from our relationships with MSIP and others. Trading in 2020 to date has been satisfactory and in line with management expectations.

I would also like to remind everyone that despite these difficult times EKF is in a very strong position. We have a substantial net cash balance, continuing solid positive cash flow, and the business remains robust. We see significant opportunities globally, particularly within the USA. Being a medical device company focussing on tests monitoring diabetes and haemoglobin, both conditions putting patients in higher risk categories for contracting COVID-19, EKF is well positioned to assist the medical and scientific community.

We have taken stringent steps to protect our supply chain, build inventory, and most importantly we have received German state approval to keep our Barleben manufacturing facility open in event of a lockdown.

Christopher Mills  
*Non-executive Chairman*  
7 April 2020

## Chief Executive's Review

### Review of 2019

2019 has seen the Company continue its momentum by delivering on its strategic goals and, as mentioned above, the Board is confident that this progress will continue in 2020 and beyond. Further upside is expected from the OEM contract with McKesson-Surgical Inc. for the distribution of DiaSpect Tm in the US, the enzyme manufacturing business with Oragenics, Inc. and increased manufacture of the Longhorn PrimeStore MTM sample collection device.

We are excited by the possibilities being opened to us through our non-exclusive Preferred Partnership Agreement with Mount Sinai Innovation Partners, details of which are described in the Chairman's Statement.

### Operations

#### *Point-of-care*

##### *i. Haematology*

Haematology sales have risen very slightly over 2018. Hemo Control sales fell due to the completion of Pakistan, Saudi and Tanzanian anaemia screening tenders in 2018.

This was offset however by growth through EKF's private label distribution agreement with McKesson for DiaSpect Tm. It is sold in the US by McKesson under its own branded line, as the *McKesson Consult® Hb analyser*. The agreement follows US Food and Drug Administration 510(k) clearance and CLIA waiver for the DiaSpect Tm in April 2018. The full launch of the *McKesson Consult® Hb analyser* took place in April 2019. Initial sales have been encouraging. We have also seen significant haematology sales in Peru and Egypt.

##### *ii. Diabetes*

From 2019 we are reporting sales of  $\beta$ -HB products under diabetes rather than Central Laboratory as we consider  $\beta$ -HB to be part of our diabetes portfolio.

Sales of our Diabetes products increased by 9%. Sales of  $\beta$ -HB products improved by 18%, with the majority of sales coming from the USA. Diabetes sales have also been driven by increased sales of Quo-Test where we are gaining traction in the UK and seeing continued growth in APAC. Quo-Lab sales were impacted by a technical issue with reagents which has now been solved.

We are continuing development of the new Biosen R-Line range, a research use only version of our successful analyser for use in non-medical applications.

##### *iii. Central Laboratory and Life Sciences*

Sales in this market (which now exclude  $\beta$ -HB) have increased by 15%.

Sales to Oragenics, Inc. (for the outsourced manufacture of the enzyme for its Lantibiotic product) have been the main contributor of growth in the year, with Life Sciences revenues up 20% as a result. With our enzyme facility in Elkhart, USA, now operating at full capacity we have commenced the work necessary to bring our new South Bend facility into operation. We have also successfully completed early stage development batches of a bulk dietary ingredient for Ixcela, Inc.

Since the period end, we have released a new addition to our Diabetes Care portfolio in the US. The STAT-Site WB is a handheld dual-use whole blood  $\beta$ -ketone and glucose meter for professional use in the management of diabetes. The new analyzer is FDA CLIA-waived and can be used in point-of-care and Certificate of Waiver settings, such as physicians' offices, clinics and other non-traditional laboratory locations.



We have also launched our new Glycated Albumin liquid reagent product in the USA. In addition, we have successfully supplied the Jordanian Army with 26 Altair Clinical Chemistry analysers.

**iv. Other**

This category includes sales of a number of products including our Lactate Scout sports medicine product and other diagnostic tests, the most important of which is for pregnancy. Sales have reduced because of higher shipping charges.

**Regulatory Update**

Regulatory pressures in diagnostics continue to grow and we are therefore adding additional resources to our regulatory team to address this. In particular, the new requirements of the In Vitro Diagnostic Regulation (IVDR) in Europe place a significant additional burden on all IVD manufacturers and must be in place by May 2022.

**Summary**

We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic. At this stage, it is difficult to assess reliably whether there will be any material disruption in the future, however we continue to monitor the situation closely. As mentioned in the Chairman's statement, we have comprehensive plans in place and we are fortunate that EKF has significant cash resources available. In addition, there will be an increased reliance on diabetes and haemoglobin testing throughout this year, as well as the PrimeStore MTM manufacturing opportunity which together have the potential to ameliorate or even counteract the possible effects of COVID-19 on other parts of our business.

Absent such matters which are outside our control, we have a growing business built on a good quality product portfolio which meets a broad range of medical needs in a significant number of countries worldwide. We remain very confident in the Group's future and its prospects for continued growth this year and beyond.

Julian Baines  
Chief Executive Officer  
7 April 2020

## Finance Director's Review

### Revenue

Revenue for 2019 was £44.9m (2018: £42.5m), which is an increase of 6%. At constant exchange rates, revenue for the year would have been 1% lower, so organic growth is over 5%.

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

	2019 £'000	2018 £'000	+/- %
Hematology	13,808	13,728	+1%
Diabetes Care	20,607	18,899	+9%
Central Laboratory	6,135	5,353	+15%
Other	4,367	4,563	(4%)
<b>Total</b>	<b>44,917</b>	<b>42,543</b>	<b>+6%</b>

In this presentation, sales of  $\beta$ -HB of £9.4m (2018: £7.4m) have been reclassified from Central Laboratory to Diabetes.

### Gross profit

Gross profit is £23.7m (2018: £22.7m), which represents a gross margin percentage of 52.8% (2018: 53.3%). The reduced gross margin was largely due to higher than usual releases of inventory provisions during 2018.

### Administration costs and research and development

Administration costs have increased to £18.3m (2018: £10.6m). The biggest factor was the effect of exceptional items, which were strongly positive in 2018. The most significant exceptional item in 2018 was the substantial gain made on the Group's investment in Renalytix AI plc as a result of its successful separate flotation. The revaluation of Renalytix shares to their fair value in 2019 is recognised through other comprehensive income. An additional factor was the revaluation of the share-based payment liability in 2019 as a result of the higher share price of EKF. Excluding the effect of exceptional items and share based payments, administration costs increased from £16.1m in 2018, to £16.5m in 2019.

Research and development costs included in administration expenses were £2.3m (2018: £1.6m). A further £0.5m was capitalised as an intangible asset, resulting from our development work to broaden and improve our product portfolio, bringing gross R&D expenditure for the year to £2.8m, an increase from the expenditure in 2018 which was £2.2m.

The charge for depreciation of fixed assets and amortisation of intangible assets increased to £4.4m (2018: £4.0m).

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

The Group generated an operating profit of £5.8m (2018: £12.2m). This again reflects the significant exceptional gain on Renalytix and other items in 2018. We continue to consider that adjusted earnings before interest, tax, depreciation and amortisation, share-based payments and exceptional items (adjusted EBITDA) is a better measure of the Group's progress as the Board believes it gives a clearer comparison of the operating performance between periods. In 2019 we achieved adjusted EBITDA of £12.0m (2018: £10.7m), an increase of 12.5%. The calculation of this non-GAAP measure is shown on the face of the income statement. It excludes the effect of non-cash share-based payment charges of £2.1m (2018: £0.9m), and exceptional profits of £0.3m (2018: £6.5m). IFRS 16 "Leases", which has been introduced in the Group this year has the effect of moving £0.3m into adjusted EBITDA while having no effect on unadjusted earnings. The increase in adjusted EBITDA of £1.3m would be higher by £0.1m without the effect of exchange rates, with £1.1m therefore being attributable to improved underlying performance, excluding the effect of the introduction of IFRS 16. This new accounting standard has no effect on the reporting of cashflow.

### **Finance costs**

Net finance costs have increased to £0.27m (2018: £0.03m). While interest costs on borrowings have continued to reduce, the main charge results from an increase in the fair value of deferred consideration.

### **Tax**

There is an income tax charge of £1.6m, a small decrease from the prior year charge (2018: £1.9m). The charge is lower than would have been expected largely because of tax savings in the USA offset by losses in the UK for which a deferred tax asset has not been recognised as the likely timing of recovery is considered too remote.

### **Balance sheet**

#### *Property plant and equipment*

Additions to fixed assets were £1.5m (2018: £1.2m). The major programme has been the continuing work on the upgrading and refurbishment of the Group's facility in Elkhart, USA, where many of the Group's central laboratory products are manufactured, including those being supplied to Orogenics.

#### *Right-of-use assets*

As a result of the implementation of IFRS 16 "Leases" we recognised £0.7m of right-of-use assets.

#### *Intangible assets*

The carrying value of intangible assets has continued to fall, from £41.8m in 2018 to £37.8m as at 31 December 2019. This is largely the result of the annual amortisation charge.

#### *Investments*

Although EKF's pre spin-out shareholding in Renalytix AI plc was distributed to EKF shareholders in October 2018, EKF participated in the Renalytix AI initial public offering fund raising acquiring 2,577,907 ordinary shares at a cost of £1.21 each. Subsequently in April 2019, EKF acquired a further 100,074 ordinary shares in the market at a cost of approximately £1.236 per share. The resulting shareholding in Renalytix of 2,677,981 shares represents 4.51% of their share capital. As Renalytix is an AIM quoted business, our shares are held at "fair value" being the quoted middle market price, with any gain or loss being taken through Other Comprehensive Income in accordance with IFRS 13. In the event of an outright sale of this investment, a discount will apply.

#### *Deferred consideration*

The remaining deferred consideration of £1.4m (2018: £1.1m) relates to a share-based payment to the former owner of EKF-Diagnostic GmbH, payment of which is subject to an offsetting warranty related claim, the value of which is held in receivables. Conclusion of the position has taken longer than anticipated but is expected during 2020.

### **Cash and working capital**

Despite the performance related bonuses paid to the directors of the company of approximately £2.7m, net cash has increased from £9.4m to £11.4m. Gross cash has increased to £12.1m (2018: £10.3m). Borrowings, which were mainly used to fund a new building at our plant in Barleben, Germany, are reducing over the loan period to 2023. Inventory has remained largely static at £6.1m in spite of higher revenue.

Richard Evans

Finance Director and Chief Operating Officer

7 April 2020

**Consolidated Income Statement**  
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Revenue	44,917	42,543
Cost of sales	(21,190)	(19,847)
<b>Gross profit</b>	<b>23,727</b>	22,696
Administrative expenses	(18,280)	(10,586)
Other income	337	89
<b>Operating profit</b>	<b>5,784</b>	12,199
Depreciation and amortisation	(4,441)	(3,991)
Share-based payments	(2,118)	(939)
Exceptional items	338	6,454
<b>EBITDA before exceptional items and share-based payments</b>	<b>12,005</b>	10,675
Finance income	73	43
Finance costs	(339)	(77)
<b>Profit before income tax</b>	<b>5,518</b>	12,165
Income tax charge	(1,586)	(1,866)
<b>Profit for the year</b>	<b>3,932</b>	10,299
<b>Profit attributable to:</b>		
Owners of the parent	3,678	10,110
Non-controlling interest	254	189
	<b>3,932</b>	10,299
	<b>Pence</b>	Pence
<b>Earnings per Ordinary Share attributable to the owners of the parent during the year</b>		
<b>From continuing operations</b>		
Basic	<b>0.81</b>	2.21
Diluted	<b>0.80</b>	2.19

**Consolidated Statement of Comprehensive Income  
for the year ended 31 December 2019**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Profit for the year</b>	<b>3,932</b>	10,299
<b>Other comprehensive income/(expense):</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Changes in fair value of equity instruments at fair value through other comprehensive income	<b>6,505</b>	-
Currency translation differences	<b>(3,097)</b>	1,383
<b>Other comprehensive gain for the year</b>	<b>3,408</b>	1,383
<b>Total comprehensive gain for the year</b>	<b>7,340</b>	11,682
Attributable to:		
Owners of the parent	<b>7,056</b>	11,526
Non-controlling interests	<b>284</b>	156
<b>Total comprehensive gain for the year</b>	<b>7,340</b>	11,682

**Consolidated Statement of Financial Position  
as at 31 December 2019**

	Group 2019 £000	Group 2018 £000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12,179	12,469
Right-of-use asset	1,002	-
Intangible assets	37,767	41,773
Investments	9,900	3,271
Deferred tax assets	34	36
<b>Total non-current assets</b>	<b>60,882</b>	<b>57,549</b>
<b>Current assets</b>		
Inventories	6,073	6,115
Trade and other receivables	8,097	7,434
Cash and cash equivalents	12,074	10,282
<b>Total current assets</b>	<b>26,244</b>	<b>23,831</b>
<b>Total assets</b>	<b>87,126</b>	<b>81,380</b>
Share capital	4,541	4,541
Other reserves	6,648	143
Foreign currency reserves	3,183	6,309
Retained earnings	56,199	52,536
	<b>70,571</b>	<b>63,529</b>
<b>Non-controlling interest</b>	<b>601</b>	<b>375</b>
<b>Total equity</b>	<b>71,172</b>	<b>63,904</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	480	695
Deferred tax liabilities	2,619	3,179
	<b>3,099</b>	<b>3,874</b>
<b>Current liabilities</b>		
Trade and other payables	7,470	10,094
Lease liabilities	1,002	-
Deferred consideration	1,385	1,104
Current income tax liabilities	2,823	2,219
Borrowings	175	185
<b>Total current liabilities</b>	<b>12,855</b>	<b>13,602</b>
<b>Total liabilities</b>	<b>15,954</b>	<b>17,476</b>
<b>Total equity and liabilities</b>	<b>87,126</b>	<b>81,380</b>

**Consolidated Statement of Cash Flows  
for the year ended 31 December 2019**

	<b>Group 2019 £'000</b>	Group 2018 £'000
<b>Cash flow from operating activities</b>		
Cash generated by operations	<b>6,519</b>	9,861
Interest paid	<b>(21)</b>	(35)
Income tax paid	<b>(1,398)</b>	(1,503)
<b>Net cash generated by operating activities</b>	<b>5,100</b>	8,323
<b>Cash flow from investing activities</b>		
Purchase of investments	<b>(124)</b>	(3,119)
Purchase of property, plant and equipment (PPE)	<b>(1,418)</b>	(1,220)
Purchase of intangibles	<b>(957)</b>	(632)
Proceeds from sale of PPE	<b>30</b>	-
Interest received	<b>73</b>	43
<b>Net cash used in investing activities</b>	<b>(2,396)</b>	(4,928)
<b>Cash flow from financing activities</b>		
Share option buy back	<b>(15)</b>	-
Share buy back	-	(940)
Repayments on borrowings	<b>(180)</b>	(242)
Principal lease payments	(381)	-
Dividend payment to non-controlling interest	<b>(58)</b>	(309)
<b>Net cash used in financing activities</b>	<b>(634)</b>	(1,491)
<b>Net increase in cash and cash equivalents</b>	<b>2,070</b>	1,904
Cash and cash equivalents at beginning of year	<b>10,282</b>	8,203
Exchange (losses)/gains on cash and cash equivalents	<b>(278)</b>	175
<b>Cash and cash equivalents at end of year</b>	<b>12,074</b>	10,282

## Consolidated Statement of Changes in Equity

Consolidated	Share capital £'000	Share premium account £'000	Other reserves £'000	Foreign currency reserve £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
<b>At 1 January 2018</b>	<b>4,576</b>	-	<b>108</b>	<b>4,892</b>	<b>50,394</b>	<b>59,970</b>	<b>528</b>	<b>60,498</b>
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	10,110	<b>10,110</b>	189	<b>10,299</b>
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	1,417	(1)	<b>1,416</b>	(33)	<b>1,383</b>
<b>Total comprehensive (expense)/income</b>	-	-	-	<b>1,417</b>	<b>10,109</b>	<b>11,526</b>	<b>156</b>	<b>11,682</b>
<b>Transactions with owners</b>								
Share cancellation	(35)	-	35	-	(940)	<b>(940)</b>	-	<b>(940)</b>
Dividends to non-controlling interest	-	-	-	-	-	-	(309)	<b>(309)</b>
Distribution in specie	-	-	-	-	(7,027)	<b>(7,027)</b>	-	<b>(7,027)</b>
<b>Total distributions to owners</b>	<b>(35)</b>	-	<b>35</b>	-	<b>(7,967)</b>	<b>(7,967)</b>	<b>(309)</b>	<b>(8,276)</b>
<b>At 31 December 2018 and 1 January 2019</b>	<b>4,541</b>	-	<b>143</b>	<b>6,309</b>	<b>52,536</b>	<b>63,529</b>	<b>375</b>	<b>63,904</b>
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	3,678	<b>3,678</b>	254	<b>3,932</b>
<b>Other comprehensive income</b>								
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	6,505	-	-	6,505	-	6,505
Currency translation differences	-	-	-	(3,126)	-	<b>(3,126)</b>	30	<b>(3,096)</b>
<b>Total comprehensive income</b>	-	-	<b>6,505</b>	<b>(3,126)</b>	<b>3,678</b>	<b>7,057</b>	<b>284</b>	<b>7,341</b>
<b>Transactions with owners</b>								
Share option cancellation	-	-	-	-	(15)	<b>(15)</b>	-	<b>(15)</b>
Dividends to non-controlling interest	-	-	-	-	-	-	(58)	<b>(58)</b>
<b>Total distributions to owners</b>	-	-	-	-	<b>(15)</b>	<b>(15)</b>	<b>(58)</b>	<b>(73)</b>
<b>At 31 December 2019</b>	<b>4,541</b>	-	<b>6,648</b>	<b>3,183</b>	<b>56,199</b>	<b>70,571</b>	<b>601</b>	<b>71,172</b>



## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019**

### **1. General information and basis of presentation**

EKF Diagnostics Holdings plc is a public limited company incorporated in the United Kingdom (Registration Number 04347937), which is listed on the AIM market of the London Stock Exchange. The address of the registered office is Avon House, 19 Stanwell Road, Penarth, CF64 2EZ.

The Group's principal activity continues to be that of a business focused within the In-Vitro Diagnostics devices ("IVD") market place.

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 2019 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 7 April 2020. 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 2018 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 2019 by 18 May 2020, 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 Wednesday 10 June 2020.

### **2. Significant accounting policies**

The Group applied IFRS 16 "Leases" for the first time, which is effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standards, amendments or interpretations that have been issued but not yet effective. The nature and impact of the new standard is described below:

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 January 2019. The weighted average Group’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing
- an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Not reassessing whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

#### *Measurement of lease liabilities*

The differences between the operating lease commitments disclosed under IAS 17 at 31 December 2018, and the lease liabilities recognised on 1 January 2019 under IFRS 16 is explained as follows:

	£'000
Operating lease commitments disclosed as at 31 December 2018	664
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	638
Add: adjustments due to different treatment of exchange rates	102
Other reconciling items	3
Lease liability recognised as at 1 January 2019	<u>743</u>

Of which are:

	£'000
Current lease liabilities	349
Non-current lease liabilities	394

#### *Measurement of right-of-use assets*

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 1 January 2019.

#### *Adjustments recognised in the balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by £743,000
- Lease liabilities – increase by £743,000

The impact on retained earnings on 1 January 2019 was nil.

- (a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these financial statements. The Group does not anticipate a material impact within its financial statements as a result of the applicable standards and interpretations.

#### Going concern

The Group meets its day-to-day working capital requirements through the use of cash reserves and existing bank facilities.

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, taking into account reasonably probable changes in financial performance, that the Group should be able to operate within the level of its current funding arrangements. We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic and current trading suggests that our base case forecasts are still applicable. However, at this stage, it is difficult to assess reliably whether there will be any material disruption in the future. In addition the Directors have considered the potential effects of the COVID-19 pandemic as laid out in the Strategic Report. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business can survive even catastrophic reductions in revenue for at least the next 12 months.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Group continues to adopt the going concern basis in the preparation of the financial statements.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Investments in subsidiaries are accounted for at cost less impairment.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Foreign currency translation

##### (a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in British Pounds Sterling, which is the Company's functional and presentational currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'administrative expenses'.

##### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper- inflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions. The information used to assess performance is by geography as income statements by product are not available.

## Government grants

Government grants receivable in connection with expenditure on property, plant and equipment are accounted for as deferred income, which is credited to the income statement over the expected useful economic life of the related assets, on a basis consistent with the depreciation policy. Revenue grants for the reimbursement of costs charged to the income statement are credited to the Income Statement in the year in which the costs are incurred.

## Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Any borrowing costs associated with qualifying property plant and equipment are capitalised and depreciated at the rate applicable to that asset category.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method or reducing balances method to allocate their cost to its residual values over their estimated useful lives, as follows

Buildings	2%–2.5%
Fixtures and fittings	20%–25%
Plant and machinery	20%–33.3%
Motor vehicles	25%

The assets' residual values and useful economic lives are reviewed regularly, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the disposal of assets are determined by comparing the proceeds with the carrying amount and are recognised in administration expenses in the income statement.

## Intangible assets

### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill has an infinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Trademarks, trade names and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of between 5 and 12 years and is charged to administrative expenses in the income statement.

(c) Customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of between 5 and 15 years and is charged to administrative expenses in the income statement.

(d) Trade secrets

Trade secrets, including technical know-how, operating procedures, methods and processes, acquired in a business combination are recognised at fair value at the acquisition date. Trade secrets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade secrets over their estimated useful lives of between 6 and 15 years and is charged to administrative expenses in the income statement.

(e) Development costs

Development costs acquired in a business combination are recognised at fair value at the acquisition date. Development costs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives of 15 years and is charged to administrative expenses in the income statement.

Expenditure incurred on the development of new or substantially improved products or processes is capitalised, provided that the related project satisfies the criteria for capitalisation, including the project's technical feasibility and likely commercial benefit. All other research and development costs are expensed as incurred.

Development costs are amortised over the estimated useful life of the products with which they are associated, currently 4 to 10 years. Amortisation commences when a new product is in commercial production. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful lives of development costs are reviewed at least on an annual basis.

The carrying value of capitalised development costs is reviewed for potential impairment at least annually and if a product becomes unviable and an impairment is identified the deferred development costs are immediately charged to the income statement.

(f) Software costs

Expenditure incurred on the development of new or substantially improved software is capitalised, provided that the project satisfies the criteria for capitalisation, including technical feasibility and likely commercial benefit. All other software costs are expensed as incurred.

Software costs are amortised over their estimated useful life, currently 5 years. Amortisation commences when software is in commercial use. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful life of software is reviewed at least on an annual basis.

The carrying value of capitalised software costs is reviewed for potential impairment at least annually and if an impairment is identified the costs are immediately charged to the income statement.

#### Impairment of non-financial assets

Assets that have an indefinite life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

#### Investments and other financial assets

##### *Classification*

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

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

##### (a) Financial assets at amortised cost

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

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

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

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

(c) Financial assets at fair value through other comprehensive income

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

#### Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost is calculated on a first in and first out basis and includes raw materials, direct labour, other direct costs and attributable production overheads, where appropriate. Net realisable value represents the estimated selling price less all estimated costs of completion and applicable selling costs. Where necessary, provision is made for slow-moving and obsolete inventory. Inventory on consignment and their related obligations are recognised in current assets and payables respectively.

#### Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other than in the case of certain intercompany receivables, they are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables that are less than three months past due are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. Older debts are considered to be impaired unless there is sufficient evidence to the contrary that they will be settled. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

#### Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of less than three months, reduced by overdrafts to the extent that there is a right of offset against other cash balances.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above net of outstanding bank overdrafts where there is a right of offset.

#### Share capital

Ordinary Shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are deducted from the share premium account.



Where Ordinary Shares are acquired for cash and then cancelled, the nominal value of shares is deducted from the value of equity and credited to the Capital Redemption reserve. The amount paid is debited to reserves.

#### Financial liabilities

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

#### Trade and other payables

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

#### Borrowings

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

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

#### Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be sufficient taxable profits against which the future reversal of the underlying temporary differences can be deducted.

The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

#### Leases

As noted above, the Group has applied IFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

#### *Accounting Policy applied from 1 January 2019*

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit within the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, amounts are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

#### *Accounting Policy applied prior to 1 January 2019*

Until 31 December 2018, Leases which transfer substantially all the risks and rewards of ownership of an asset were treated as a finance lease. Assets held under finance leases were capitalised at their fair value at the inception of the lease and depreciated over the estimated useful economic life of the asset or lease term if shorter. The finance charges were allocated to the income statement in proportion to the capital amount outstanding. All other leases were classified as operating leases. Operating lease rentals were charged to the income statement in equal annual amounts over the lease term.

#### Deferred consideration

Deferred consideration is recognised at fair value. Where the value of deferred consideration is based on a future event, management estimate the likelihood of the consideration becoming payable. Deferred consideration is discounted to take account of the time value of money at rates based on those used for the valuation of related intangible assets.

#### Employee benefits

##### (a) Pension obligations

Group companies operate various pension schemes all of which are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with the pension cost charged to the income statement as incurred. The Group has no further obligations once the contributions have been paid.

##### (b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees and others as consideration for equity instruments of the Group. Equity-settled share-based payments are measured at fair value at the date of grant and are expensed over the vesting period based on the number of instruments that are expected to vest. For plans where vesting conditions are based on share price targets, the fair value at the date of grant reflects these conditions. Where applicable the Group recognises the impact of revisions to original estimates in the income statement, with a corresponding adjustment to equity for equity-settled schemes. Fair values are measured using appropriate valuation models, taking into account the terms and conditions of the awards.

When the share-based payment awards are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Group operates a cash-settled compensation plan for certain senior employees. Cash-settled share-based payments are measured at fair value at each reporting date and are expensed over the expected vesting period. The fair value amount is recognised in liabilities.

## National insurance on share options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved share-based payment compensation schemes, provision for any National Insurance Contributions has been based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

## Revenue recognition

Revenue is accounted for in accordance with the principles of IFRS 15, which has been applied as follows:

### (a) Sale of goods

Revenue for the sale of medical diagnostic instruments and reagents is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the goods net of sales taxes, rebates and discounts. Revenue from the sale of goods is recognised when control of the products has transferred which is when a Group Company has delivered products to the customer, the customer has accepted delivery of the products and collectability of the related receivables is reasonably assured. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Where contracts contain multiple deliverables, and the volume of each deliverable can be determined with reasonable certainty, then the transaction price will be allocated to each performance obligation based on the expected cost of each item.

### (b) Sale of services

Revenue for the sale of services is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the services net of sales taxes, rebates and discounts. Revenue from the sale of services is recognised when a Group Company has completed the services and collectability of the related receivables is reasonably assured.

### (c) Royalty and licence income

Royalty and licence income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

## Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Distributions in specie are recognised at the fair value of the assets distributed.

## Other income

Other income includes grant income and R & D tax credits passed through income where this is permitted by the relevant jurisdiction.

## Exceptional items

These are items of an unusual or non-recurring nature incurred by the Group and include transactional costs and one off items relating to business combinations, such as acquisition expenses.

### **3. Segmental reporting**

Management has determined the Group's operating segments based on the monthly management reports presented to the Chief Operating Decision Maker ('CODM'). The CODM is the Executive Directors and the monthly management reports are used by the Group to make strategic decisions and allocate resources.

The principal activity of the Group is the design, development, manufacture and sale of diagnostic instruments, reagents and certain ancillary products, as well as central laboratory reagents. This activity takes place across various countries, such as the USA, Germany, Russia, and the United Kingdom, and as such the Board considers the business primarily from a geographic perspective. Although not all the segments meet the quantitative thresholds required by IFRS 8, management has concluded that all segments should be maintained and reported.

The reportable segments derive their revenue primarily from the manufacture and sale of medical diagnostic equipment and reagents. Other services include the servicing and distribution of third party company products under separate distribution agreements.

Currently the key operating performance measures used by the CODM are Revenue and adjusted EBITDA.

The segment information provided to the Board for the reportable segments for the year ended 31 December 2019 is as follows:

<b>2019</b>	Germany £'000	USA £'000	Russia £'000	Other £'000	<b>Total £'000</b>
<b>Income statement</b>					
Revenue	23,087	25,434	3,065	-	51,586
Inter-segment	(6,669)	-	-	-	(6,669)
<b>External revenue</b>	<b>16,418</b>	<b>25,434</b>	<b>3,065</b>	<b>-</b>	<b>44,917</b>
<b>Adjusted EBITDA*</b>	<b>7,435</b>	<b>8,016</b>	<b>782</b>	<b>(4,228)</b>	<b>12,005</b>
Exceptional items (Note 7)	356	-	-	(18)	338
Share-based payments (Note 30)	-	-	-	(2,118)	(2,118)
<b>EBITDA</b>	<b>7,791</b>	<b>8,016</b>	<b>782</b>	<b>(6,364)</b>	<b>10,225</b>
Depreciation	(739)	(387)	(19)	(367)	(1,512)
Amortisation	(2,077)	(1,161)	(2)	311	(2,929)
<b>Operating profit</b>	<b>4,975</b>	<b>6,468</b>	<b>761</b>	<b>(6,420)</b>	<b>5,784</b>
Finance income	10	7	37	19	73
Finance costs	(21)	-	-	(318)	(339)
Income tax	(677)	(449)	(164)	(296)	(1,586)
<b>Retained profit</b>	<b>4,287</b>	<b>6,026</b>	<b>634</b>	<b>(7,015)</b>	<b>3,932</b>
<b>Segment assets</b>					
Operating assets	36,327	24,630	589	39,709	101,255
Inter-segment assets	(400)	-	-	(25,803)	(26,203)
External operating assets	35,927	24,630	589	13,906	75,052
Cash	3,298	5,480	1,159	2,137	12,074
<b>Total assets</b>	<b>39,225</b>	<b>30,110</b>	<b>1,748</b>	<b>16,043</b>	<b>87,126</b>
<b>Segment liabilities</b>					
Operating liabilities	7,926	15,162	151	18,263	41,502
Inter-segment liabilities	(2,938)	(11,777)	-	(11,488)	(26,203)
External operating liabilities	4,988	3,385	151	6,775	15,299
Borrowings	655	-	-	-	655
<b>Total liabilities</b>	<b>5,643</b>	<b>3,385</b>	<b>151</b>	<b>6,775</b>	<b>15,954</b>
<b>Other segmental information</b>					
Non-current assets – PPE	6,006	4,679	75	2,421	13,181
Non-current assets – Intangibles	24,172	12,115	95	1,385	37,767
PPE – additions	872	455	17	74	1,418
Intangible assets – additions	739	162	-	56	957

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

2018	Germany £'000	USA £'000	Russia £'000	Other £'000	Total £'000
<b>Income statement</b>					
Revenue	21,937	23,478	2,687	5	48,107
Inter-segment	(5,564)	-	-	-	(5,564)
External revenue	16,373	23,478	2,687	5	42,543
Adjusted EBITDA*	6,291	7,824	762	(4,202)	10,675
Exceptional items (Note 7)	(580)	97	-	6,937	6,454
Share based payments (Note 30)	-	-	-	(939)	(939)
EBITDA	5,711	7,921	762	1,796	16,190
Depreciation	(847)	(271)	(24)	(16)	(1,158)
Amortisation	(2,137)	(1,096)	(13)	413	(2,833)
Operating profit/(loss)	2,727	6,554	725	2,193	12,199
Finance income	11	-	15	17	43
Finance costs	(35)	-	-	(42)	(77)
Income tax	(327)	(1,064)	(170)	(305)	(1,866)
Retained profit/(loss)	2,376	5,490	570	1,863	10,299
<b>Segment assets</b>					
Operating assets	38,933	25,849	463	35,101	100,346
Inter-segment assets	(99)	-	-	(29,149)	(29,248)
External operating assets	38,834	25,849	463	5,952	71,098
Cash	2,980	2,749	698	3,855	10,282
Total assets	41,814	28,598	1,161	9,807	81,380
<b>Segment liabilities</b>					
Operating liabilities	10,167	17,008	129	18,540	45,844
Inter-segment liabilities	(5,000)	(12,093)	-	(12,155)	(29,248)
External operating liabilities	5,167	4,915	129	6,385	16,596
Borrowings	880	-	-	-	880
Total liabilities	6,047	4,915	129	6,385	17,476
<b>Other segmental information</b>					
Non-current assets – PPE	6,204	4,779	73	1,413	12,469
Non-current assets – Intangibles	27,026	13,638	91	1,018	41,773
PPE- additions	501	659	47	13	1,220
Intangible assets – additions	506	126	-	-	632

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

'Other' primarily relates to the holding company and head office costs.

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Americas</b>		
United States of America	<b>19,955</b>	18,253
Rest of Americas	<b>3,947</b>	3,925
<b>Europe, Middle East and Africa (EMEA)</b>		
Germany	<b>6,268</b>	6,208
United Kingdom	<b>435</b>	324
Rest of Europe	<b>3,484</b>	3,583
Russia	<b>3,066</b>	2,687
Middle East	<b>1,771</b>	1,467
Africa	<b>1,482</b>	1,229
<b>Asia and Rest of World</b>		
China	<b>822</b>	994
Rest of Asia	<b>3,578</b>	3,751
New Zealand/Australia	<b>109</b>	122
<b>Total revenue</b>	<b>44,917</b>	42,543

One external customer represented 11.4% of revenues in 2019 (2018: 10.2%)

#### 4. Exceptional items

Included within administrative expenses are exceptional items as shown below:

		<b>2019</b>	2018
	Note	<b>£'000</b>	£'000
– Warranty claim	a	<b>367</b>	31
– Business reorganisation costs	b	<b>(29)</b>	(120)
– A Webb loan	c	-	90
– Net receipt from legal action	d	-	97
– Renalytix	e	-	6,356
<b>Exceptional items</b>		<b>338</b>	6,454

- 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 2019 and 2018 with the closure of EKF's Polish facility and other restructuring activities.
- c) Following settlement with Mr A Webb, the balance of the loan made by him in relation to the molecular diagnostic business has been written back.
- d) Receipt from legal action against a customer net of legal costs.
- e) The net profit made by the Group in relation to the Renalytix transaction.



## 5. Income tax charge

Group	2019 £'000	2018 £'000
Current tax:		
Current tax on profit/ the year	2,096	2,248
Adjustments for prior periods	(94)	5
<b>Total current tax</b>	<b>2,002</b>	<b>2,253</b>
Deferred tax (note 27):		
Origination and reversal of temporary differences	(416)	(387)
<b>Total deferred tax</b>	<b>(416)</b>	<b>(387)</b>
<b>Income tax charge</b>	<b>1,586</b>	<b>1,866</b>

## 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.

	2019 £'000	2018 £'000
Profit attributable to owners of the parent	3,678	10,110
Weighted average number of Ordinary Shares in issue	454,093,227	457,207,272
Basic profit per share	<b>0.81 pence</b>	2.21 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 one category of dilutive potential ordinary shares being share options.

	2019 £'000	2018 £'000
Profit attributable to owners of the parent	3,678	10,110
Weighted average diluted number of Ordinary Shares	458,414,273	461,489,617
Diluted profit per share	<b>0.80 pence</b>	2.19 pence

	2019	2018
Weighted average number of Ordinary Shares in issue	454,093,227	457,207,272
Adjustment for:		
– Assumed conversion of share awards	277,106	238,405
– Assumed payment of equity deferred consideration	4,043,940	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	<b>458,414,273</b>	461,489,617

## Intangible Fixed Assets

	Goodwill £'000	Trademarks, trade name and licences £'000	Customer relationships £'000	Trade secrets £'000	Development costs £'000	Software £'000	Total £'000
<b>Cost</b>							
At 1 January 2018	26,999	3,169	15,721	18,987	9,210	-	74,086
Additions	-	73	-	-	559	-	632
Disposals	-	-	-	-	(646)	-	(646)
Exchange differences	544	15	573	172	239	-	1,543
<b>At 31 December 2018</b>	<b>27,543</b>	<b>3,257</b>	<b>16,294</b>	<b>19,159</b>	<b>9,362</b>	<b>-</b>	<b>75,615</b>
<b>Accumulated amortisation</b>							
At 1 January 2018	2,603	2,174	7,881	11,672	6,156	-	30,486
Exchange differences	28	(18)	262	91	160	-	523
Charge for the year	-	340	1,346	928	219	-	2,833
<b>At 31 December 2018</b>	<b>2,631</b>	<b>2,496</b>	<b>9,489</b>	<b>12,691</b>	<b>6,535</b>	<b>-</b>	<b>33,842</b>
<b>Net book value At 31 December 2018</b>							
	<b>24,912</b>	<b>761</b>	<b>6,805</b>	<b>6,468</b>	<b>2,827</b>	<b>-</b>	<b>41,773</b>
<b>Cost</b>							
At 1 January 2019	27,543	3,257	16,294	19,159	9,362	-	75,615
Additions	-	171	-	-	527	259	957
Transfer	-	(42)	-	-	-	42	-
Disposals	-	-	-	-	(462)	-	(462)
Exchange differences	(1,172)	(587)	(714)	(723)	(367)	(2)	(3,565)
<b>At 31 December 2019</b>	<b>26,371</b>	<b>2,799</b>	<b>15,580</b>	<b>18,436</b>	<b>9,060</b>	<b>298</b>	<b>72,545</b>
<b>Accumulated amortisation</b>							
At 1 January 2019	2,631	2,496	9,489	12,691	6,535	-	33,842
Disposals	-	-	-	-	(462)	-	(462)
Exchange differences	(81)	(374)	(405)	(426)	(245)	-	(1,531)
Charge for the year	-	267	1,274	876	512	-	2,929
<b>At 31 December 2019</b>	<b>2,550</b>	<b>2,389</b>	<b>10,358</b>	<b>13,141</b>	<b>6,340</b>	<b>-</b>	<b>34,778</b>
<b>Net book value At 31 December 2019</b>							
	<b>23,821</b>	<b>410</b>	<b>5,222</b>	<b>5,295</b>	<b>2,720</b>	<b>298</b>	<b>37,767</b>

## 8. Dividends

The Directors propose the payment of a dividend of 1p per EKF Ordinary share held on 6 November 2020. Payment will be made on 1 December 2020.

In 2018 the Company made a distribution in specie whereby the Company's shareholding in Renalytix AI plc was distributed to ordinary shareholders of the Company at a total value of £7,027,000. The fair value per EKF share was 1.5357p.

## 9. Cash generated by operations

	Group	
	2019	2018
	£'000	£'000
Profit/(loss) before tax	5,518	12,165
Adjustments for:		
– Depreciation	1,512	1,158
– Amortisation	2,929	2,833
– Warranty claim	(367)	(31)
– Loss/(profit) on disposal of fixed assets	14	13
– Share-based payments	2,118	939
– Escrow cancellation	-	-
– Profit on sale of Renalytix	-	(6,356)
– Fair value adjustment	281	42
– Foreign exchange	86	(83)
– Bad debt written (back)/ down	212	-
– Net finance (income)/costs	(15)	(8)
– Loan write back	-	(90)
Changes in working capital		
– Inventories	37	(461)
– Trade and other receivables	(327)	11
– Trade and other payables	(5,479)	(271)
<b>Net cash generated by operations</b>	<b>6,519</b>	<b>9,861</b>