

Annual Report 2020

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## Financial and Operational Highlights

### 2020 - Key points

#### Financial Highlights

- Revenue up 45% to £65.3m (2019: £44.9m)
- Gross profit up 58% to £37.4m (2019: £23.7m)
- Adjusted EBITDA<sup>1</sup> up 113% to £25.5m (2019: £12.0m)
- Profit before tax £15.4m (2019: £5.5m)
- Basic Earnings per share of 2.45p (2019: 0.81p)
- Cash generated from operations of £13.8m (2019: £5.1m)
- Cash at 31 December 2020 of £21.9m (2019: £12.1m), net cash after borrowings of £21.4m (2019: £11.4m)
- Value of investments in marketable securities at year end of £6.5m, after sale of Renalytix shares raised £7.7m (2019: £9.7m)
- Maiden cash dividend of £4.5m paid to shareholders, equivalent to 1p per ordinary share

#### Operational Highlights

- Significant improvements in revenue and profits, resulting from successful COVID-19 related contract manufacturing business
- Core business held up well in light of the global pandemic: revenues were down £6.5m YoY (-14%), however there were strong performances and signs of a steady recovery are apparent:
  - DiaSpect Tm up £548k (+15%), due to strong performance from OEM partners McKesson and Fresenius Kabi
  - Quo-Lab up £210k (+9%) due to improved sales in EMEA and improved shelf-life of reagent cartridges
  - HemoControl and HemoPointH2 sales down £2.6m (-36%) as anaemia screening programmes were paused or cancelled, particularly Peru (-£1.1m), and reduced demand from Women & Infants Clinics in US
  - β-HB down £847k (-9%) due in part to the fulfilment of large orders from Cardinal in Q4 2019
  - Reduced demand for diabetes testing, especially in China and Southeast Asia
  - COVID-19 restrictions in laboratories, universities and organized sport impacted research use market for lactate and clinical chemistry product
- Post period end, recovery of core business underway in Q1 2021:
  - Fresenius Kabi up +20% YoY following tender wins in Asia and the Middle East
  - Tender win in Rwanda c. 200k tests; screening programmes in Uganda, Ghana, Kenya and Egypt
  - First shipment of 1,000 DiaSpect Tm analysers to South Africa following tender win
  - CBER<sup>2</sup> approval of DiaSpect Tm allows EKF to start selling into US blood banks from March 2021
  - Won South Carolina WIC<sup>3</sup> tender, displacing HemoCue; other WIC tender opportunities expected
  - New pregnancy testing accounts won following exit of major competitor from the US market
  - Won Jharkhand (India) tender (3 million DiaSpect Tm cuvettes); additional tenders in the pipeline

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation, share-based payments and exceptional items, as laid out in the income statement

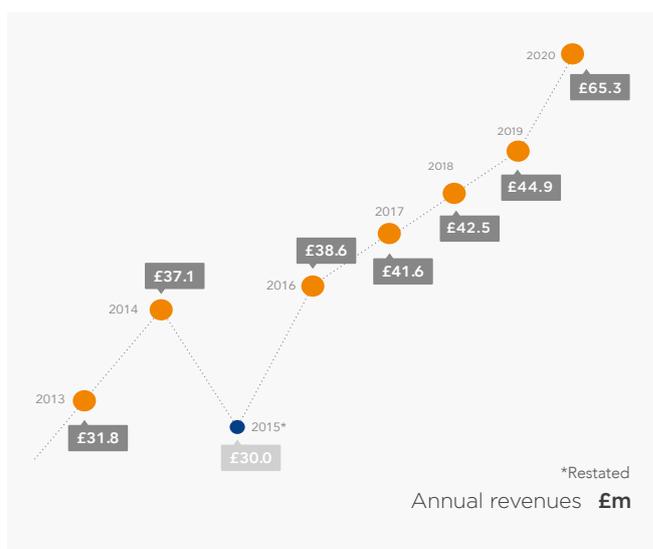
<sup>2</sup> Centre for Biologics Evaluation and Research, part of the US FDA, which (amongst other things) regulates medical devices involved in the testing of licensed blood, blood components and cellular products

<sup>3</sup> Women, Infants and Children

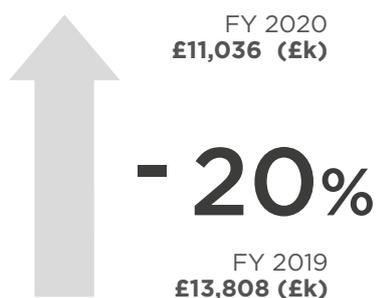
2020 Revenue

	2020	2019	+/-
Revenue (£m)	<b>£65.3</b>	£44.9	45%
Net cash (£m)	<b>£21.4</b>	£11.4	88%
Adjusted EBITDA (£m)	<b>£25.6</b>	£12.0	113%

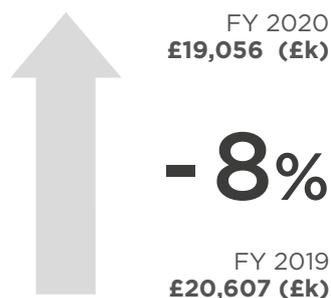
**45%**  
Increase in revenues year on year

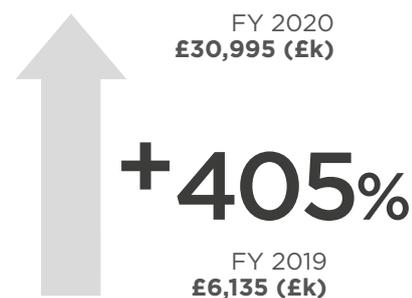
**HEMOGLOBIN REVENUES**



**DIABETES REVENUES**



**CENTRAL LABORATORY REVENUES**



## At a Glance

### Background

EKF Diagnostics is a global medical diagnostics business with a long history in point-of-care testing and manufacturing reagents for use in central laboratories. In 2020 we very significantly grew our contract manufacturing business.

Our point-of-care (POC) products, most of which are designed and manufactured in Germany, have a hard earned reputation for ease of use, reliability and accuracy from professionals working in diabetes, blood banking and sports medicine.

The POC business is built around a large installed base of analysers each of which generates a regular demand for tests, often for the entire life cycle of the analyser. Although EKF sold more than 65 million tests in 2020, the revenue from analysers and tests was lower than in previous years due to the impact of COVID-19 on diabetes clinics, anaemia screening programmes and the closure of universities and research institutes. Even the decision to postpone the Olympics had a detrimental effect as the demand for lactate testing using Lactate Scout and Biosen dropped. EKF expects much, if not all, of this business to return in 2021

The EKF Central Laboratory range includes clinical reagents and centrifuges which are manufactured at premises near San Antonio, Texas. Clinical chemistry reagents are sold for use on open channel systems or on EKF's own brand of analysers.

EKF Life Sciences, based in Elkhart, Indiana, manufactures diagnostic enzymes and contracted custom products for use in medical diagnostics, pharmaceuticals and industry. In 2019 EKF Life Sciences opened a second manufacturing facility in South Bend, Indiana to supply enzymes and offering additional capacity for contract fermentation customers.

The following pages describe our product portfolio, split broadly into groups by disease class.

### 2020 Sales

#### ANALYSERS SOLD

2020  
**11,167**

2019  
**14,167**

**-21%**

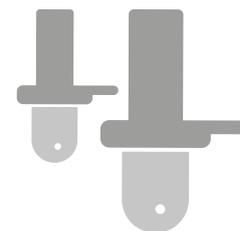


#### TESTS SOLD

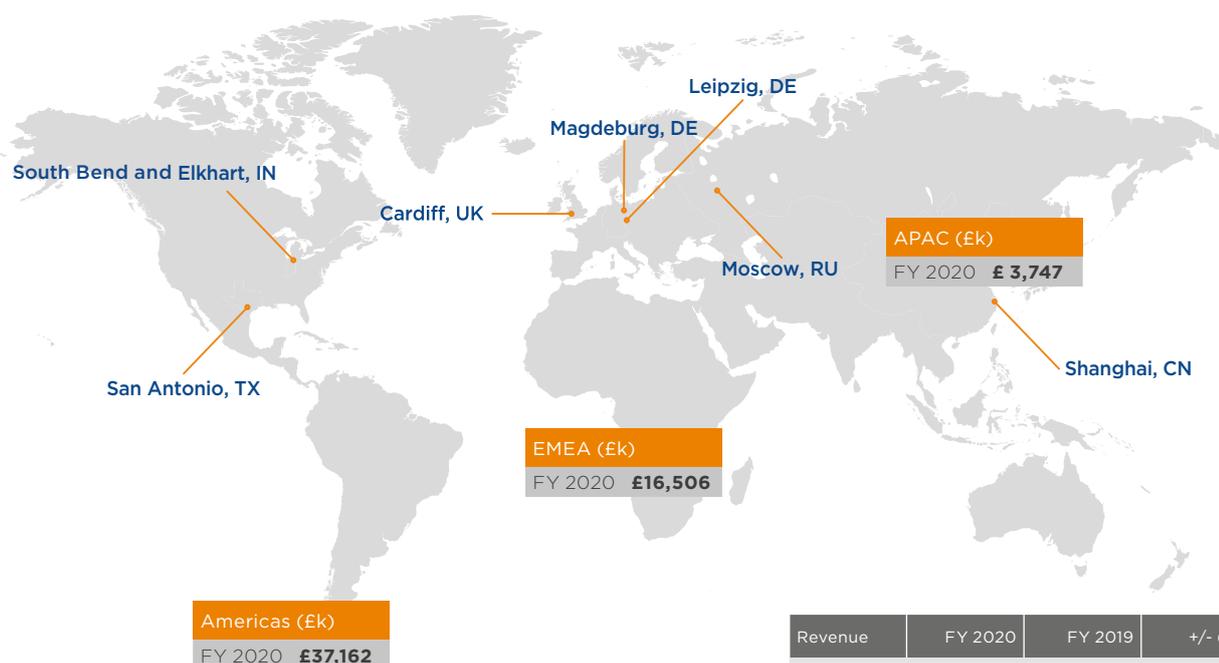
2020  
**65,014,470**

2019  
**74,139,615**

**-12%**



### Geographical Performance



Revenue	FY 2020	FY 2019	+/- (£k)
APAC	<b>3,747</b>	4,509	(762)
EMEA	<b>24,339</b>	16,506	9,458
AMERICAS	<b>37,162</b>	23,902	11,636

## Hematology

### Product Portfolio

The hemoglobin analysers product range within EKF Diagnostics is the largest in terms of revenues and the size of the installed base.

A number of OEM arrangements with distribution partners has provided EKF with access to significant geographic markets and industry sectors that complement a strong and loyal customer base.



**Hemo Control™**

- Uses 'gold standard' methodology (reagent filled microcuvettes)
- Data management capability; provides a hematocrit calculation
- Proven, robust analyser sold worldwide



**DiaSpect Tm**

- Handheld analyser utilising reagent-free cuvette technology
- One second time to result and an extended shelf-life of microcuvettes
- Connectivity to a mobile phone application available



**DiaSpect Hemoglobin T Low**

- Tests serum, plasma, aqueous solutions or stored erythrocytes
- Estimates the degree of hemolysis
- Results in less than two seconds
- Reagent-free microcuvettes



**UltraCrit™**

- Hematocrit analyser which uses unique ultrasound technology
- Used in blood banks in the US



**HemataStat II™**

- Laboratory hematocrit centrifuge and analyser
- Processes multiple samples

### Strategy

The EKF Diagnostics portfolio of hemoglobin and hematocrit analysers is unique within the Point of Care diagnostics sector.

Sales are primarily focused around two markets – public health initiatives such as anaemia screening programmes, and private practices where the cost of testing is paid for by an insurance company or the patient.

To approach these markets EKF has two distinct strategies: firstly, OEM partnerships with international distributor/manufacturers such as Fresenius Kabi; and secondly agreements with smaller distributors who are focused on the public health opportunities within their own countries.

Sports medicine and veterinary medicine provide two additional niche sources of customer for EKF distributors. EKF believes that this portfolio can provide it with a competitive advantage to grow its market share.

## Diabetes

### Product Portfolio

EKF's Diabetes Care range aims to provide affordable, easy-to-use technology that reduces the costs of long-term healthcare of the diabetic and pre-diabetic population.

Diabetes has been at the core of EKF's strategy for over a decade starting with the early models of the Biosen glucose analysers. Later, Quo-Test and Quo-Lab were launched to address the diabetes screening market.

Although they do not strictly belong within a point-of-care framework, clinical chemistry reagents such as Glycated Albumin, Glycated Serum Protein and Beta- Hydroxybutyrate add further provenance to EKF's claim to be a significant contributor to diabetes care worldwide.



**Biosen™**

- Glucose and/or lactate measurement
- Two models, each aimed at different settings
- Strong presence in Eastern Europe and China in diabetes clinics and research
- Used by professional and amateur sports clubs to test lactate thresholds



**Quo-Lab® A1c**

- HbA1c testing (Glycated Hemoglobin)
- Results in four minutes using a unique methodology
- Semi-automated analyser aimed at cost-sensitive markets



**Quo-Test® A1c**

- HbA1c testing (Glycated Hemoglobin)
- Same methodology as Quo-Lab but fully automated
- Simple operation requires minimal training



### β-Hydroxybutyrate LiquiColor & STAT-Site WB

- Liquid reagent for the early detection of ketosis and new ketone analyser launched Q1 2020
- Primarily sold in USA through national distribution networks
- Small but growing markets in China, Singapore and Australia

### Strategy

Although glucose testing is the most commonly used method of determining glycaemic control within diabetics, HbA1c is the accepted long term barometer of patient wellbeing and their compliance with the treatment regimes.

The growth in popularity of HbA1c measurement has seen an increasing number of entrants to the point-of-care HbA1c market focused on GP surgeries and diabetes clinics.

Since transferring manufacturing from the UK to Germany EKF has engaged in programmes to automate the production of cartridges to increase capacity and improve quality. In addition, these changes have allowed EKF Diagnostics to make significant operational savings through the centralisation of manufacturing, warehousing and logistics, and customer service.

Sales of Beta-Hydroxybutyrate Liquicolor reagent continue to be healthy with a strong performance from US distributors who have developed a market capitalising on the withdrawal of a previous method of testing for ketosis. More than 1,300 US hospitals now use EKF's Beta-Hydroxybutyrate reagent. To capitalise on this strong position EKF launched a whole blood ketone analyser in Q1 2020 for use in Emergency Rooms and small hospital labs. The analyser was launched with US FDA clearance.

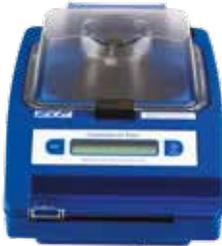
## Women's Health & Sports Performance

### Product Portfolio

The Women's Health product range focuses on specialist diagnostics used to address conditions and complications associated with pregnancy and child birth.

Products include the Creamatocrit centrifuge but also the use of our hemoglobin meters that are used in Women and Infant Clinics, pregnancy test kits and HbA1c analysers used to diagnose gestational diabetes in pregnant women.

The EKF Sports Performance range is primarily comprised of Lactate Scout 4, a handheld blood analyser used 'in the field' by sports scientists. There is also a growing market for Biosen analysers used in sports research in both academia and professional sports organisations and clubs around the world.



#### Creamatocrit Plus™

- Small lab centrifuge used in Women and Infant Clinics
- Measures the lipid concentration and caloric density of breast milk
- Allows professionals to guide mothers with underweight infants



#### Pregnancy Testing

- Cassette rapid tests
- Marketed for use in hospital settings



#### Lactate Scout 4

- Handheld lactate analyser
- Results in 10 seconds
- Developed for use in sports medicine
- New model launched in February 2019

### Strategy

Lactate Scout has been sold into sports medicine for over a decade. It has been a popular tool with athletes in endurance activities such as cross-country skiing, cycling and rowing. This market also contributes significantly to Biosen revenues in which the lactate testing function is used in the preparation of elite squads of athletes such as Premier League and Bundesliga football teams and Olympians.

Lactate Scout 4 was introduced in February 2019 with new functionality and a specific focus on sports medicine. Today, EKF is developing new applications for Lactate Scout 4 in other markets including veterinary medicine.

## Central Laboratory

### Product Portfolio

EKF, through its wholly owned subsidiary Stanbio Laboratory, has had a presence within central laboratory dating back over 60 years. During this time it has built a global customer base for its clinical chemistry reagents that can be used on most open-channel analyser platforms. In 2020 we developed a significant COVID-19 related contract manufacturing business which is described more fully on the next page.

The Central Laboratory business also includes the manufacture of enzymes, produced at EKF Life Sciences in Elkhart, Indiana.

From this facility EKF Life Sciences sells enzymes used in Stanbio's clinical chemistry portfolio - as well as providing contract manufacturing services for enzymes and proteins used in industrial applications. These are then sold in bulk or used in the production of in-vitro diagnostic devices (IVDs) and a range of health and veterinary products.

EKF Life Sciences received a significant investment in plant in 2018 to allow it to grow the services and products it provides and agreed a lease to expand manufacturing capacity in 2019. This facility will allow EKF Life Sciences to fulfil larger bulk orders than was previously possible as well as provide additional bottling and warehouse space.



#### Altair™240

- Automated bench-top analyser
- Runs up to 400 tests per hour and can handle up to 43 different reagents
- Calibrated to run the Stanbio Chemistry range of reagents



#### Procalcitonin

- Liquid reagent for the detection of sepsis
- Targeted at certain European markets



#### Lucica Glycated Albumin-L

- Confirms changes in blood glucose 1-2 weeks treatment
- EKF is the exclusive distributor in the USA

### Strategy

Outside of our COVID-19 related contract manufacturing business, the central laboratory market continues to experience relatively low levels of growth. This is in part because sales of chemistry reagents are often linked to the provision of the analysers on which the tests are performed. EKF Diagnostics' approach to the clinical chemistry market changed in late 2015 with the launch of the Altair 240, a benchtop analyser calibrated to run the Stanbio Chemistry range of reagents.

In 2019 EKF launched its new, exclusive Glycated Albumin test which has been developed in partnership with Japan's Asahi Kasei Pharma Corporation.

## COVID-19

### Product Portfolio

The COVID-19 pandemic changed the way society functions and businesses operate. It also changed the landscape for diagnostics and pharmaceutical business, possibly forever.

EKF Diagnostics worked with some leading epidemiology organisations during 2020 to develop a small but effective portfolio of exceptionally high quality products that addressed the needs of the market and helped turn the tide in the battle against COVID-19.

EKF's existing relationship as a contract manufacturing partner for Longhorn Vaccines & Diagnostics developed significantly during 2020. The escalating demand for PrimeStore® MTM in the US spread to Europe following a successful evaluation of the product by Public Health England. As a result EKF opened production facilities in Germany and the UK, as well as a second site in the US.

In Q4 of 2020 EKF announced that it was partnering with Kantaro Biosciences to market COVID-SeroKlir – a quantitative COVID antibody test in the UK and Europe. SeroKlir had received both its CE mark and US FDA Emergency Use Authorisation by the end of November.



**PrimeStore® MTM**

- Molecular Transport Media that preserves and stabilises DNA and RNA
- Allows viral samples to be safely collected, transported and tested
- Sold in vials and in bulk
- FDA Class 2 and CE marked



**PrimeStore® MTM sample collection kits**

- For use at home or on-site
- Includes a vial of PrimeStore MTM and a flocked swab
- Test for multiple virus' from one sample
- Stable at room temperature for 30 days



**Kantaro COVID-SeroKlir**

- Quantitative COVID-19 antibody test
- Peer reviewed in *Nature* and *Science* journals
- Developed by Mount Sinai Hospital System in New York
- EKF is the exclusive distributor in the UK and Germany

### Strategy

The COVID-19 pandemic created an opportunity for EKF to build on its partnership with Longhorn Vaccines & Diagnostics by making its facilities available to manufacture PrimeStore® MTM on site at Boerne, Texas. As demand grew EKF built additional capacity in South Bend and Elkhart, and also in Europe at its manufacturing base on the outskirts of Magdeburg. The demand for PrimeStore® MTM in the UK drove the need to establish a manufacturing hub in Cardiff. This in turn grew substantially and necessitated relocation to new premises by the turn of the year.

Sales of PrimeStore® MTM have been focused on the USA, UK and Ireland where there is a demand for high quality sample collection and testing products that ensure the safety of the sample collection teams, couriers and lab staff. Over time, demand emerged for a testing kit including swab and packaging from businesses, labs and public health services.

Antibody testing studies have been undertaken since the emergence of COVID-19. The Mount Sinai Hospital System undertook a comprehensive study in New York throughout 2020 and developed the COVID-SeroKlir test based on existing technology. EKF's previous cooperation with Mount Sinai to launch Renalytix AI allowed EKF access to the technology with the intention of selling the test in the UK, Germany and beyond.

## Chairman's Statement



2020 has been an unusual but highly successful year for EKF and I must first extend my thanks to the Executive team for their achievements over the last year, which by any standards have been outstanding and have contributed to a significant increase in shareholder value.

I am delighted that across our business, our teams responded very quickly to the challenges that faced our core business due to the impact of the global COVID pandemic. To their credit, we have simultaneously and rapidly adjusted the business to assist our partners in the USA and Europe in their COVID response.

Consequently, we have had by far our most successful year to date, with record turnover and profits. Revenues across the Group are up 45% to over £65m (2019: £44.9m) and adjusted EBITDA increased by 113% to £25.5m (2019: £12.0m). This strong performance has continued into the first quarter of 2021 and in January we announced that Q1 2021 performance would be materially ahead of current management expectations and that of the first quarter of 2020.

### Strategy

It is important to note that we continue to focus heavily on our core business, which we define as all operations outside our COVID-19 related product range. Our major strategy aims are:

1. to continue to build our installed base of point-of-care analysers which 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;
3. to grow our contract and partnership enzyme manufacturing business; and
4. to continue to exploit 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.

### Impact of COVID-19

As a global supplier of diagnostic and clinical chemistry products, we have experienced disruption in nearly every market we serve, and despite this we have still delivered what we consider to be a robust performance in our core business. The core business delivered revenues of over £38m, and whilst this is a reduction of 14% versus previous year revenues, this was a better performance than our own expectations. The second half showed signs of improved performance in both Diabetes and Hematology, and

this recovery has continued into the new financial year.

Our sales and operations teams have worked extremely hard in often trying circumstances - in many cases working from home and being unable to travel - to limit the effect on our business, and I believe they have been very successful. Equally, we have showed the best strengths of our business in the way that we have reacted to the opportunity which arose for viral transport medium related products.

Having done some preparatory work in 2019, long before the world had heard of COVID, in March 2020 we signed a contract manufacturing agreement with Longhorn Vaccines and Diagnostics LLC in the US for their FDA-approved PrimeStore® MTM sample collection device. It is designed to de-activate pathogens rapidly and stabilise test samples for up to four weeks with no requirement for cold storage. This approach also allows samples to be tested by a greater number of laboratories, as the handling risks for the deactivated virus are reduced.

The sudden demand for this product meant that from a standing start at our facility in Boerne, Texas, we had to create a supply chain, a reagent production line and a tube filling line for a regulated product, along with all of the associated peripheral activities. We quickly realised that there would also be a demand for this product in Europe. In the UK, a project team was formed which created a fully manned and trained production facility from scratch using space that had been set aside for development activities, and was up and running in less than 8 weeks. In Germany, a further production line was also started.

It has taken enormous flexibility, dedication, skill, and teamwork, especially from the project teams set up to create and run these facilities, but also from everyone else in the organisation and on behalf of the Board I would like to extend my thanks to all of them. Their work is not over; as the pandemic evolves, so do the needs of our customers, whose programmes are continuing into 2021.

### 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, and in 2019 signed a non-exclusive partnership agreement. The agreement provided EKF and MSIP with a framework to explore commercial opportunities together and to select and support pioneering medical approaches that could make improvements to people's

## Chairman's Statement (continuation)

lives and to healthcare economics. EKF has access to opportunities which benefit from a clinician and demand focused approach to developing commercially relevant healthcare products and services. This partnership has now led to the development of three new businesses which between them are worth over \$1bn: Renalytix AI plc, the developer of artificial intelligence-enabled diagnostics for kidney disease; Verici Dx plc, a developer of advanced clinical diagnostics for organ transplant; and Trellus Health Limited, a company working to transform the way chronic conditions are treated, with an initial focus on Inflammatory Bowel Disease (IBD), including Crohn's disease and ulcerative colitis.

During 2020, EKF sold just under 63% of its holding in Renalytix, raising £7.7m. The remaining holding was worth £4.9m at year end. Just prior to this sale, the Group benefited from the receipt of shares in Verici when it was spun out of Renalytix by way of a dividend in specie. At 31 December this holding was worth £1.6m.

In August, EKF invested \$5.0m in Trellus in return for a 31.1% holding, alongside Mount Sinai and others. In December, the Company transferred this shareholding to its then shareholders by way of a dividend in specie. It is expected that Trellus will complete an IPO in 2021.

The Group continues to work with MSIP to develop further opportunities.

### Share capital

During the year to 31 December 2020 we have again not utilised the permission we hold from shareholders to acquire shares for cancellation. It remains our intention to do so when appropriate.

The process of simplifying our share capital has continued through the exercise of 900,000 options for a total value of £209,000 and the cancellation of 25,000 share options at the election of the holder, in return for a small payment.

### Dividend

In December 2020, the Company paid its inaugural cash dividend of 1p per share as a final dividend for 2019, a total of £4.6m. We are pleased to confirm that, given the progress in EKF's business and its strong cash generation, it is our intention to make a further dividend payment to shareholders of 1.1p per ordinary share, as previously indicated. If approved by shareholders at the Company's next Annual General Meeting, payment will be on 1 December 2021 to shareholders on the register on 4 November 2021.

### 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"). During the present year EKF shareholders have benefited from very strong increases in value through the improved performance of the Group and the investment opportunities that we have followed. 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 Executive Directors each received an equal payment of approximately £0.23 million in July 2020, comprising a variable amount calculated as to 5% of the excess value

over 27 pence per share, calculated using a reference share price of 29 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. 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 29 pence per share. In January 2021, the Executive Directors received a further payment under the scheme of £0.5m each, in recognition of the further significant value creation for shareholders. As a result, the new base line will be 33.4p.

### 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.

### COVID-19

The recent COVID-19 pandemic has created uncertainty in the market in the short term. Many countries remain closed, and government action continues to have a significant effect on economies across the 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):

- Ensuring the safety of our employees by organising for as many staff as possible to work from home and making appropriate adjustments in the workplace
- 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
- Improved social distancing by limiting physical meetings, expanding flexible working, and altering production practices
- 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.

While we have seen some disruption to our core business as a result of the COVID-19 pandemic, current trading suggests that our base case forecasts are still applicable. In addition, our range of COVID related products has been highly successful, bringing significant benefits to the Group, including higher revenue, profits, and cash balances. We believe the Group is in a strong position, however, it is difficult to assess reliably whether there will be any material disruption in the future, and for how long our COVID range will remain relevant. 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. While the eventual severity and length of the economic disruption stemming from the

## Chairman's Statement (continuation)

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pandemic is impossible to forecast these models give the Directors reasonable confidence that the business can survive our worst-case scenarios for reductions in revenue for at least the next 12 months.

### Board and Corporate Governance

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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

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EKF has come through 2020 in an extremely strong position. The Group has been able to make a real contribution to the fight against the COVID-19 pandemic, which sadly has been very costly for many in lives and income. In doing so, EKF has delivered on every level and our core business has held up well.

The improvement in trading in our core business and the strong demand for COVID-19 sample collection devices has continued into the new financial year. Whilst necessarily maintaining a conservative approach to forecasting for our core business, we have already announced that our performance for the first quarter of 2021 will be materially ahead of expectations and the same quarter last year. This morning's news that we have expanded a key supply agreement to become a multi-million dollar global supply contract, means that we are confident that trading for the year ending 31 December 2021 will be significantly ahead of already upgraded expectations



**Christopher Mills**  
Non-executive Chairman

30 March 2021

## Chief Executive's Review



In what has been a year like no other I have been astounded at how my colleagues at EKF have been able to adapt to the pandemic, support a solid core business performance and introduce a new manufacturing capability from zero to a business that is now manufacturing hundreds of thousands of COVID-19 sample collection kits per annum. All the credit for this past 12 months has to go to the incredible employees at EKF in Wales, Germany and the US.

It has been a turbulent year as the timing of lockdowns globally have differed across the globe, but it has been an incredible effort from the team to maintain our core business globally.

As a result, we have come through 2020 with our core customer base intact and have developed new relationships, both directly and indirectly, with healthcare systems and a major corporate partner, and we're now seeing signs of recovery that bodes well for the future performance of our core business. We also expect to benefit further from those programmes suspended during 2020 coming back on-line this year.

### Operations

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, which the Board considers to be a single segment. The Board considers the business primarily from a geographic perspective, but for interest describes below the performance of each major product group.

#### Point-of-Care

##### Hematology

Hematology delivered a respectable £11.0m in revenues, albeit a 20% reduction on the previous year (2019: £13.8m). DiaSpect Tm sales bucked the trend and were up by 15% as the OEM versions we produce, including those for McKesson and Fresenius, gained some traction, with Fresenius winning new business in Asia and the Middle East.

Sales of our Hemo Control product line were down by 36% as anemia screening programmes were either cancelled or postponed. We saw this particularly in Peru, which has been very badly affected by the pandemic and is a major user of our hemoglobin analyzer. Blood banks and WIC (Women, Infants, Children) centres in the US have seen closures and reduced volumes of patients since COVID struck.

It is incredibly encouraging to see sales in Peru and US-based WIC sales recovering in Q1 2021 and this recovery was supported by the recent WIC tender win in South Carolina. In addition, this WIC tender win was the first to include our newly launched EKF Link connectivity platform. EKF Link will enable us to enter all tenders moving forward that require connectivity which is a significant boost for the Company's commercial appeal.

For 2021 we are looking forward to anemia programmes returning to normal,

to McKesson's Consult OEM version of DiaSpect Tm making continued progress, and the opportunity to start selling DiaSpect Tm into blood banks in the US.

#### Diabetes

Our Diabetes product sales held up very well against strong headwinds delivering over £19m of revenues compared to £20.6m of sales in 2019. The main product that demonstrated growth during the year was our HbA1c point-of-care analyzer, Quo-Lab, which increased by 9%, driven by increased reagent sales in EMEA; and Stat-Site, which measures -HB and glucose in whole blood, following the launch of the Stat-Site WB meter which provides results in less than 10 seconds. Other product groups were affected by COVID-related decreases in testing volumes as diabetic clinics globally were closed or had limited opening hours. The reduction in  $\beta$ -HB Liquicolor reagent sales of 9% was more due to Cardinal placing a large initial order for their OEM branded product in Q4 2019 than a genuine reduction in demand. Overall, taking this into account our sales have been in line with expectations despite the pandemic.

#### Central Laboratory

##### Clinical chemistry and Life sciences

There has been a reduced demand in 2020 for chemistries, including enzymes, analysers and rapid tests, and many of the development projects we have been working on, including that with Oragenics, have been paused as a result of COVID-19. As a result, sales are down by 21%. We expect those projects to come back on stream in 2021, albeit a year behind our original expectations, with work on Oragenics and Ixcela due to recommence in Q3 2021. As a result of the delays, we have slowed the capital programme at our South Bend site, and repurposed it to work on our own COVID products.

##### Contract manufacturing

While we have always had an interest in contract manufacturing, this area has seen a huge increase in revenue in 2020, rising from £0.18m to £26.3m with this continuing, so far, into 2021. Starting from the manufacture of the Primestore MTM reagent and filling tubes for Longhorn in the US, activities have expanded to encompass manufacturing in two sites in the US, two in the UK, and one in Germany. This includes a product portfolio of additional reagents, filled tubes in multiple sizes, testing kits, and now full retail packs with boxed contents including our testing kits and other materials. Our customer base has expanded beyond Longhorn to include Public Health England, clinics, universities, testing companies, and a large industrial partner (which we are unable to name for confidentiality reasons), with sales made to 13 countries in the Americas, Europe and Africa.

These activities are all associated with viral testing, and while much of the activity is driven by COVID, we believe that there will be an ongoing need for testing for this and other coronaviruses for the foreseeable future. However, in light of the uncertainty about how long this will stay at current levels, we have mitigated our forward risk by taking premises on short term leases

## Chief Executive's Review (continuation)

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with appropriate break clauses and using temporary labour where possible.

In addition to our COVID related contract manufacturing success, we have secured rights to Kantaro's COVID antibody ELISA test, SeroKlir, which was developed at Mount Sinai. We believe there are exciting opportunities for this test.

### Other

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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. Professional sports medicine has been badly affected by the various lockdowns throughout our most important markets.

### Regulatory update

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Our most important new approvals came in the USA, where the DiaSpect Tm gained clearance from CBER for use in blood banks, and Hemo Control gained FDA clearance for additional data management functionality. We continue to work hard to succeed.

We are continuing to work towards the new requirements of the In Vitro Diagnostic Regulation (IVDR) in Europe which must be in place by May 2022.

### Summary

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It has been a difficult year for many people across the world, and I am proud that against this background EKF has not only survived but flourished. Our partners have grown to be dependent on the flexibility and high levels of customer service they are experiencing from EKF, and our shareholders are benefiting through income and capital accretion. We have protected our core business through one of the most difficult periods for business in recent history, and created millions of pounds of revenue and profits from new business. Whether this new source of income continues at the same level or not, I am confident that the skills we have learnt and the relationships we have developed will be of benefit to the business for years to come.



**Julian Baines**  
Chief Executive Officer

30 March 2021

## Finance Director's Review



### Revenue

Revenue for 2020 was £65.3m (2019: £44.9m), which is an increase of 45%. At constant exchange rates, revenue for the year would have been 1% higher, so organic growth is 46%.

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

	FY 2020 £'000	FY 2019 £'000	+/- %
Hematology	11,037	13,808	(20%)
Diabetes Care	19,056	20,607	(8%)
Central Laboratory	30,995	6,135	+405%
Other	4,172	4,367	(4%)
<b>Total</b>	<b>65,260</b>	<b>44,917</b>	<b>+45%</b>

Central Laboratory sales in 2020 include sales of contract manufacturing services relating to PrimeStore and other viral transport medium products of £26,799,000 (2019: £44,000).

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

	FY 2020 £'000	FY 2019 £'000	+/- %
Germany	20,286	16,418	+24%
USA	37,692	25,434	+48%
Russia	2,904	3,065	(5%)
Other	4,378	-	-
<b>Total</b>	<b>65,260</b>	<b>44,917</b>	<b>+45%</b>

### Gross profit

Gross profit is £37.4m (2019: £23.7m), which represents a gross margin percentage of 57.5% (2019: 52.8%). The increased gross margin was largely due to the higher volumes.

### Administration costs and research and development

Administration costs have increased to £20.7m (2019: £18.3m).

To aid understanding, administrative expenses in each period are made up as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Non-exceptional administration expenditure before R & D capitalisation	17,234	17,027
Effect of share-based payments	5,292	2,118
Less capitalised R & D	(586)	(527)
Effect of exceptional items	(1,282)	(338)
<b>Total administrative expenses</b>	<b>20,658</b>	<b>18,280</b>

The largest effect has been the increased share-based payment charge, with the increase mainly being a result of the Company's increased share price and a related increase in volatility.

Research and development costs included in administration expenses were £1.4m (2019: £2.3m). A further £0.6m 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 £2.0m (2019: £2.8m). The reduction was largely a result of the emphasis required during the year on our COVID related products. The charge for depreciation of fixed assets and amortisation of intangible assets increased to £4.6m (2019: £4.4m).

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

The Group generated an operating profit of £16.9m (2019: £5.8m). This was largely a result of the higher activity levels seen during the year. We continue to consider that adjusted earnings before interest, tax, depreciation and amortisation, share-based payments and exceptional items (adjusted EBITDA) is a better measure of the Group's progress as the Board believes it gives a clearer comparison of the operating performance between periods. In 2020 we achieved adjusted EBITDA of £25.5m (2019: £12.0m), an increase of 113%. 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 £5.3m (2019: £2.1m), and exceptional profits of £1.3m (2019: £0.3m), the main element of which is the increase in fair value of the warranty claim provision which offsets the deferred consideration liability, both of which relate to an outstanding issue with the previous owner of EKF-Diagnostic.

### Finance costs

Net finance costs have increased to £1.5m (2019: £0.3m). The main charge, and the increase, results from an increase in the fair value of deferred consideration which is valued using the Company's share price. Although the Group holds net cash, achievable returns on this are very low because of low interest rates around the world.

### Tax

There is an income tax charge of £4.0m, an increase from the prior year charge (2019: £1.6m). The charge is higher than would have been expected largely because of the effect of losses in the UK entities for which a deferred tax asset has not been recognised as the likely timing of recovery is considered too remote, as well as the higher tax rates that apply in Germany and the USA. Tax of £1.1m has been charged direct to Other Comprehensive Income.

## Finance Director's Review (continuation)

### Dividend

A cash dividend of 1p per ordinary share was paid in December, in respect of the final dividend for 2019. In addition, a dividend in specie was completed which transferred the Group's holding in Trellus Health Limited to EKF shareholder at that time. Dividends are shown in the Statement of Changes in Equity, and not in the Income Statement.

### Balance sheet

#### *Property plant and equipment and right-of-use assets*

Additions to fixed assets were £2.1m (2019: £1.4m). Major programmes include the continuing work on the upgrading and refurbishment of the Group's central laboratory product manufacturing facility in Elkhart, USA, the capitalization of new and replacement leases under IFRS 16 including the new production facility in the UK, and the building works associated with its set up.

#### *Intangible assets*

The carrying value of intangible assets has continued to fall, from £37.8m in 2019 to £37.1m as at 31 December 2020. This is largely the result of the annual amortisation charge.

#### *Investments*

During the year the Company sold around 63% of the shares it previously held in Renalytix AI plc ("Renalytix"). These shares were acquired at an average cost of £1.211 per share and were sold for £4.579 per share. The profit of £5.64m (less tax) is shown in Other Comprehensive Income. The Company continues to hold 1.39% of Renalytix, which itself completed a dividend in specie of its shareholding in Verici Dx plc ("Verici"), a developer of advanced clinical diagnostics for organ transplant. Like Renalytix, Verici has been brought to the public capital market by virtue of EKF's relationship with the Mount Sinai Hospital System. As a result of the distribution of Verici shares by Renalytix and following the successful IPO fundraising for Verici in November 2020, EKF now owns 1.89% of Verici.

Also during the year and again as a result of EKF's relationship with Mount Sinai, the Company invested \$5.0m in August for 31.1% of Trellus Health Limited, a provider of connected digital health solutions for chronic conditions. The shareholding rights, except for voting rights, were transferred to EKF's shareholders via a dividend in specie in December.

#### *Deferred consideration*

The remaining deferred consideration of £2.9m (2019: £1.4m) relates to a share-based payment to the former owner of EKF-Diagnostic GmbH, payment of which is subject to an equal and 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 2021.

### *Cash and working capital*

Net cash which excludes marketable securities has increased to £21.4m from £11.4m. Gross cash has risen to £21.9m (2019: £12.1m) and Borrowings reduced in line with repayments to £0.5m (2019: £0.7m). Cash flow was boosted by the proceeds of the sale of Renalytix shares (£7.7m), while investments were made in Trellus and fixed and intangible assets - mainly R & D and an updated accounting system - totalling £7.0m, and £4.6m was paid out in cash dividends. Working capital needs increased by £4.2m, driven by the increases in volume and by action taken, to ensure supply lines during the COVID-19 pandemic.



**Richard Evans**  
Finance Director and Chief Operating Officer

30 March 2021

## Board of Directors

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### Executive Directors



#### **Julian Baines MBE**

##### **Chief Executive Officer (aged 56)**

Julian was Group CEO of BBI where he undertook a management buyout in 2000, a flotation on AIM in 2004 and was responsible for selling the business to Alere Inc. (now part of Abbott Laboratories) in 2008 for circa £85 million. Julian has been CEO of the Group since its inception in 2009 and has subsequently successfully completed a number of fund raisings and the acquisition and subsequent integration of eight businesses in seven countries. In 2016 he was awarded an MBE for services to the life sciences industry. Julian is also Chairman of Trellus Health Limited and Verici Dx plc.



#### **Richard Evans**

##### **Chief Operating Officer and Finance Director (aged 63)**

Richard qualified as a Chartered Management Accountant in 1983 and holds a Bachelor of Commerce in Business Studies and Law from Edinburgh University and an MBA from INSEAD. Before joining EKF, Richard was Finance Director, General Manager and finally Global Account Director at Hitachi Data Systems GmbH. He has also held positions at Fisher Scientific, TRW Seat Belt Systems, Maxtor Corporation, United Technologies Carrier and Abbott Diagnostics GmbH in Germany.

## Board of Directors

### Non-Executive Directors



#### Christopher Mills

##### Non-Executive Chairman (aged 68)

Christopher founded Harwood Capital Management in 2011, a successor to its former parent company J.O. Hambro Capital Management, which he co-founded in 1993. He is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Chief Investment Officer of Harwood Capital LLP. He is a Non-Executive Director of a number of companies including Renalytix AI plc. Christopher was a Director of Invesco MIM, where he was Head of North American Investments and Venture Capital, and of Samuel Montagu International. Christopher is a member of the Audit Committee and the Remuneration Committee.



#### Adam Reynolds

##### Non-Executive Director (aged 58)

Adam is a former stockbroker specialising in corporate finance. He has built, rescued and re-financed a number of public companies. He is currently Chairman of Autoclenz Group Limited and Yourgene Health plc, and a director of several listed and private companies. Adam chairs the Audit Committee and Remuneration Committee.



#### Carl Contadini

##### Non-Executive Director (aged 72)

Carl has been a director of numerous companies throughout his career, predominately focusing on the healthcare and electronics sectors. He is currently an Operational Adviser to Harwood Capital LLP, where he assists in sourcing, evaluating and monitoring investments. Carl also holds the position of Executive Chairman at Utitec Holdings Inc. and is a board member of Prospect Medical Waterbury Hospital. Carl has, in the past, also been a director of Bionostics Limited and Celsis Group Limited. He holds an Associate of Science degree in Business Administration and Marketing from Tunix Community College, Connecticut and a Bachelor of General Studies degree specialising in Human Resources from University of Connecticut.

## Strategic Report

for the year ended 31 December 2020

### The Directors present their Strategic Report for the year to 31 December 2020.

#### Review of the business

A review of the business is contained in the Chairman's Statement on pages 10 to 12, and in the Chief Executive's Review on pages 13 and 14 and the Finance Director's Review on pages 15 and 16.

We recognise that effective risk management is essential to the successful delivery of the Group's strategy. As we continue to grow our business we believe it is important to develop and enhance our risk management processes and control environment on an ongoing basis and ensure it remains fit for purpose. We continue to mature our approach to identifying and managing risks across the Group in a consistent and robust manner.

Below we describe our risk management approach, the principal risks and uncertainties faced by the Group and the controls in place to manage them.

#### Overview of risk management approach

Each business area is responsible for identifying, assessing and managing the risks in their respective area. Risks are identified and assessed by all business areas on a periodic basis, and are measured against a defined set of criteria, considering likelihood of occurrence, and potential impact. The Executive Board members also conduct a strategic risk identification and assessment exercise to identify risks, including those that could impact the business model, future performance, solvency or liquidity. This risk information is combined with a consolidated view of the business area risks. The most significant risks identified are included in our Group Risk Profile, which is reported to the Executive Board for review and challenge, ahead of it being submitted to the Group Board for final review, challenge and approval. The Board has the overall accountability for ensuring that risk is effectively managed across the Group and therefore ensuring that it is comfortable with the nature and extent of the principal risks faced in achieving its strategic objectives.

#### Principal risks and uncertainties

Set out below are the principal risks which we believe could materially affect the Group's ability to achieve its financial and operating objectives and control or mitigating activities adopted to manage them. The risks are not listed in order of significance.

##### Key employees

Lack of retention of key employees affects the continuity and effectiveness of on-going relationships with key customers and suppliers.

This risk is minimised by ensuring that a minimum of two individuals manage every relationship with key customers and suppliers. In addition, in retaining the key employees, incentivisation packages are offered through a mixture of sales commission, and profit related bonuses. Main Board Directors are incentivised as detailed in the Directors' Remuneration Report.

##### Political risk

A significant proportion of the Group's revenues are accounted for by agreements in developing countries. Any instability in these countries could meaningfully affect the operations and the revenue of the Group. In particular the Group has revenues from customers in Russia which are ultimately largely funded by the Russian government.

The Group spreads the risk through seeking a portfolio of diversified revenue streams geographically with a mixture of distribution partners in developing and developed countries.

The UK has withdrawn from the EU. Although at present the Group is not facing significant issues, the Group has employees, facilities, customers, and suppliers in both the United Kingdom and the EU, and therefore withdrawal may affect the Group's operational abilities and costs. The Group seeks to manage this risk by monitoring events and taking mitigating actions if necessary.

##### Supply chain continuity

The Group relies on third party manufacturers for the supply of the majority of raw materials. Problems with obsolescence and manufacturer facilities may lead to delay and disruptions in the supply chain which could have a significant negative impact on the Group.

The Group maintains a close dialogue with key suppliers and closely monitors its inventory status and customer demand to ensure that any problems with the supply chain can be managed, and back up sources of supply are maintained where possible.

##### Regulatory risk

There can be no guarantee that any of the Group's products will be able to obtain or maintain the necessary regulatory approvals in any or all of the territories in respect of which applications for such approvals are made. Where regulatory approvals are obtained, there can be no guarantee that the conditions attached to such approvals will not be considered too onerous by the Group or its distribution partners in order to be able to market its products effectively. The Group seeks to reduce this risk by manufacturing the products to recognised standards, by keeping appraised with changes in the standards geographically, by seeking advice from regulatory advisers, consultations with regulatory approval bodies and by working with experienced distribution partners.

##### Competition risk

Due to the Group's current and future potential competitors, such as major multinational pharmaceutical and healthcare companies, having substantially greater resources than those of the Group, the competitors may develop systems and products that are more effective or economic than any of those developed by the Group, rendering the Group's products obsolete or otherwise non-competitive. The Group seeks to mitigate this risk by securing patent registration protection for its products where appropriate, maintaining confidentiality agreements regarding the Group's know-how and technology, monitoring technological developments and by selecting leading businesses in their respective fields as distribution partners capable of addressing significant competition, should it arise.

## Strategic Report

for the year ended 31 December 2020

### Intellectual property risk

The commercial success of the Group and its ability to compete effectively with other companies depends, amongst other things, on its ability to obtain and maintain patents sufficiently broad in scope to provide protection for the Group's intellectual property rights against third parties and to exploit its products. The absence of any such patents may have a material adverse effect on the Group's ability to develop its business.

The Group mitigates this risk by developing products where legal advice indicates patent protection would be available, seeking patent protection for the Group's products, maintaining confidentiality agreements regarding Group know-how and technology and monitoring technological developments and the registration of patents by other parties. The commercial success of the Group also depends upon not infringing patents granted, now or in the future, to third parties who may have filed applications or who have obtained, or may obtain, patents relating to business processes which might inhibit the Group's ability to develop and exploit its own products.

### Foreign exchange risk

The Group has transactional currency exposures as the majority of revenues and expenditure and certain borrowings are denominated in foreign currencies. Fluctuations in exchange rates between the Group's functional currency of Sterling and the currency of the overseas operations could adversely impact the financial results. In most cases the Group matches the currency receipts and expenditure of the overseas operations. The Group also endeavours where appropriate to match the foreign currency assets of the foreign operations by funding through borrowings and loans denominated in the currency of the overseas operations, and to negotiate currency protection in major contracts.

### Reimbursement levels

There is no guarantee that the Group may be able to sell its products or services profitably if the reimbursement level from third party payers, including government and private health insurers, is unavailable or limited. Third party payers are increasingly attempting to contain health care costs through measures that could impact the Group including challenging the prices charged for health care products and services, limiting both coverage and the amount of reimbursement for new diagnostics products and services, and denying or limiting coverage for products that are approved by the regulatory agencies but are considered experimental by third party payers.

The Group understands that due to third party dependency it is extremely difficult to eradicate this risk. However, the Group manages this risk with constant dialogue and educating the third party payers on the Group's products and also developing new technologies in order to seek additional reimbursements.

### Financial reporting and disclosure

Due to the nature of the Group there is a requirement to report accurate financial information in compliance with accounting standards and applicable legislation.

This risk is mitigated through the Group's internal controls over the financial information and reporting, overseen by the local financial heads and then reviewed by the central finance team, including the Finance Director. The annual financial statements are also subject to audit by the Group's external auditors.

### Cyber security risk

The Group uses computers extensively in its operations and has an online presence but does not trade online. It is at risk of attack through hacking or other methods. This risk is mitigated by the use of robust security measures, staff training, and back-up systems. The Group also has specific insurance cover.

### Pandemic risk

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
- Improved social distancing by limiting physical meetings, expanding flexible working, and altering production practices
- Preparing requests for support for short time working with local authorities in case this becomes necessary
- 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.

While we have seen some disruption to our core business as a result of the COVID-19 pandemic, current trading suggests that our base case forecasts are still applicable. In addition, our range of COVID related products has been highly successful, bringing significant benefits to the Group, including higher revenue, profits, and cash balances. We believe the Group is in a strong position, however, it is difficult to assess reliably whether there will be any material disruption in the future, and for how long our COVID range will remain relevant. 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. 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 our worst case scenarios for reductions in revenue for at least the next 12 months.

### Climate change risk

Climate change means we may face more frequent or severe weather events, or that a move towards a greener economy could mean the Group might face reductions in asset values or higher costs of doing business. While the potential economic effect on the Group is uncertain, the Group does not believe its operations are materially at risk. The Group seeks to manage this risk by monitoring events and taking mitigating actions if necessary.

# Strategic Report

for the year ended 31 December 2020

## Review of strategy and business model

The Board of Directors judge the Company's financial performance by reference to the internal budget which it establishes at the beginning of each financial year.

EKF's strategy is to create a world class IVD business through organic growth and strategic partnerships. IVD has a wide spectrum, and within this spectrum we have chosen to concentrate on point-of-care, and our existing central laboratory business. We have identified and acquired businesses in these areas with strong product lines and distribution networks which can benefit from better, more professional management, greater resources, and from the synergistic benefits of being part of a larger group.

We sell worldwide to over 100 countries. In many territories we sell through local distributors, however where appropriate we sell direct to end users which includes hospitals, laboratories, and government agencies. Our distributors are supported by a network of regional sales managers and by product managers who are specialists in our product range. We manufacture the majority of the products we sell ourselves, but also distribute a number of carefully chosen products on behalf of others. We have product support centres in the USA and Germany.

The Group works mainly on the principle of selling value priced instrumentation which generates long-term revenue streams from the subsequent sale of consumables. The Group has an existing portfolio of technologies which produce revenues and will add technologies which are strategically appropriate to this portfolio should they become available and providing the additions make economic sense.

## Future outlook

The Chairman's Statement on pages 10 to 12 and the Chief Executive's Review on pages 13 and 14 give information on the future outlook of the Group, including the main trends and factors likely to affect its future development.

## Key Performance Indicators (KPIs)

The key performance indicators currently used by the Group are revenue, gross margin, adjusted EBITDA and cash resources. The Group is working to establish other key performance indicators including non-financial measures. KPIs are discussed in more detail in the Finance Director's review on pages 15 and 16.

## Environment

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment. The Group is committed to minimising any effect on the environment caused by its operations.

## Employees

The Group places great value on the involvement of its employees and they are regularly briefed on the Group's activities. The Group closely monitors staff attrition rates which it seeks to keep at low levels and aims to structure staff compensation levels at competitive rates in order to attract and retain high calibre personnel.

## Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the specific aptitudes of the applicant involved. It is the policy of the Group that the training, career development and promotion of disabled persons, as far as possible, be identical with that of other employees.

## Social, community, and human rights

The Board recognises that the Group has a duty to be a good corporate citizen and to respect the laws, and where appropriate the customs and culture of the territories in which it operates. The Group has donated product to selected appropriate charities which operate within its area, and encourages staff to take part in charitable activities which are related to our business areas or customers. It contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices. The Group's Modern Slavery Act statement is published on our website.

## Section 172 Statement

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its shareholders as a whole and in doing so are required to have regard for the following:

- the likely long term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;

the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company. In 2018 the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from The Quoted Companies Alliance (the "QCA Code"). The QCA Code is an appropriate code of conduct for the Group's size and stage of development. There is a discussion of how the Group applies the ten principles of the QCA Code in support of its growth on the Group's website.

The Chairman's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects, including the considerations for long term decision making on pages 10 to 14. The Board considers that its response to the COVID pandemic has been measured and has allowed it to grasp opportunities as they have arrived.

The Board considers its major stakeholders to be its employees, its suppliers, customers, and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's group discussions.

The Board has a good relationship with the Group's employees. The Board maintains constructive dialogue with employees through the Executive Directors. Appropriate remuneration and incentive schemes including bonuses and commissions are maintained to align employees' objectives with those of the Group. The Group regularly discusses progress both locally and at group level with employees in "town hall" style meetings, allowing opportunities to exchange views and for employees to have a say. The Group has an open, flexible, and entrepreneurial culture which has allowed the Group to be flexible and responsive to customer needs. The Board monitors, assesses, and promotes the Group's corporate culture through discussions with management and employees and through the use of appropriate measures.

## Strategic Report

for the year ended 31 December 2020

The Board ensures that the Group endeavours to maintain good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms. We meet with our significant suppliers regularly and where required audit their activities to ensure that materials are delivered effectively in a timely and cost-efficient manner. We frequently offer longer term contracts to provide stability to their business in return for cost savings. These principles ensure that the Group's and our significant suppliers' interests are aligned.

The Executive Directors meet major customers regularly and encourage a dialogue with them and with the Regional Sales Management team as appropriate. The Board receives regular reports on progress with customer relationships to ensure that their decision making takes into account the needs of our customer base. Key Performance Indicators are used internally to ensure we are responding to customer needs.

The Board does not believe that the Group has a significant impact on the communities and environments within which it operates. The Board recognises that the Group has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, and that it contributes as far as is practicable to the local communities in which it operates.

The Board recognizes the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints. The Board endeavours to maintain good relationships with its shareholders and treat them equally. This is described in more details in "Relations with shareholders" in the Corporate Governance Report on page 25.

The Strategic Report was approved by the Board on 30 March 2021 and signed on its behalf by:



**Richard Evans**  
Finance Director and Chief Operating Officer

## Report of the Directors

for the year ended 31 December 2020

The Directors have pleasure in presenting this report together with the audited consolidated financial statements of EKF Diagnostics Holdings plc for the year ended 31 December 2020.

### Corporate details

EKF Diagnostics Holdings public limited company is domiciled, incorporated, and registered in England and Wales with registration number 4347937. The registered office is Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ.

### Directors

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

- Christopher Mills
- Julian Baines
- Richard Evans
- Adam Reynolds
- Carl Contadini

The Company Secretary is Salim Hamir.

### Principal activities

During the year the principal activities of the Group and Company were the development, manufacture and supply of products into the in-vitro diagnostics (IVD) market place. Future developments and research and development activities are discussed in the Chairman's Statement on pages 10 to 12, the Chief Executive's Review on pages 13 and 14, and the Finance Director's Review on pages 15 and 16.

### Dividends and share buy back

In December 2020 the Company paid an inaugural final dividend for 2019 of 1p per share. The Board has noted that it now intends to follow a progressive dividend policy. If approved by shareholders at the Company's next annual general meeting, payment of a dividend of 1.1p per share will be on 1 December 2021 to shareholders on the register on 4 November 2021.

Also in December 2020 the Company made a distribution in specie under which all but one "golden share" of the Company's holding in Trellus Health Limited ("Trellus") was distributed to relevant EKF shareholders at a rate of one Trellus share for every 16.25 EKF shares held. More details on this transaction are given in Note 36.

The Company holds authorisation to acquire up to approximately 15% of its Ordinary Shares in order to reduce the number of shares in issue. No shares (2019: no shares) were acquired under this authorisation during the year. The Company intends to seek renewal of the authorisation at the next AGM.

### Going concern

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, 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. While we have seen some disruption to our core business as a result of the COVID-19 pandemic, current trading suggests that our base case forecasts are still applicable. In addition, our range of COVID related products has been highly successful, bringing significant benefits to the Group, including higher revenue, profits, and cash balances. We believe the Group is

in a strong position, however, it is difficult to assess reliably whether there will be any material disruption in the future, and for how long our COVID range will remain relevant. 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. 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 our worst case scenarios for reductions in revenue for at least the next 12 months.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of preparation for its consolidated financial statements.

### Financial risk management

Financial risk management is discussed in Note 3 of the financial statements.

### Employee policies

Employee policies are discussed in the Strategic Report on pages 19 to 22.

### Stakeholder engagement

A statement summarising how the directors have had regard to the need to foster the Group's business relationships with other stakeholders is included in the Strategic Report on pages 19 to 22.

### Directors' interests

The interests in the share capital of the Company of those Directors serving at 31 December 2020 and as at the date of signing of these financial statements, all of which are beneficial, were as follows:

	On 31 December 2020 Ordinary Shares of 1p each	On 31 December 2019 Ordinary Shares of 1p each
<b>Christopher Mills</b>	136,113,591	136,113,591
<b>Julian Baines</b>	1,855,288	1,855,288
<b>Richard Evans</b>	178,842	178,842
<b>Adam Reynolds</b>	1,668,613	1,668,613
<b>Carl Contadini</b>	-	-

Mr Mills holds 150,000 Ordinary shares in his own name. Mr Mills' other interest in the Company's shares is held through North Atlantic Smaller Companies Investment Trust PLC ("NAIT") and Oryx International Growth Fund Limited ("Oryx"). Harwood Capital LLP ("Harwood") is investment manager and investment adviser to NAIT and Oryx respectively. Christopher Mills is a partner and Chief Investment Officer of Harwood. Christopher Mills is also a director of Oryx and NAIT. He holds 2.16 per cent. of the shares in Oryx in his own name as well as a further 46.44 per cent. of the shares in Oryx via his 25.06 per cent. shareholding in NAIT.

Carl Contadini holds no shares personally, but acts as an Operational Advisor to Harwood which acts as investment manager and investment adviser to NAIT and Oryx respectively.

## Report of the Directors

for the year ended 31 December 2020

### Substantial shareholdings

As at 30 March 2021, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

	Number of shares	Percentage of issued share capital
<b>Mr Christopher Mills</b>	136,113,591	29.92%
<b>Canaccord Genuity Wealth Management</b>	29,955,780	6.58%
<b>LionTrust Asset Management</b>	25,283,659	5.56%
<b>Schroder Investment Management</b>	20,848,823	4.58%
<b>Stockinvest</b>	17,631,000	3.88%
<b>Octopus Investments</b>	17,078,000	3.75%

### Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006.
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders

to assess the group and parent company's performance, business model, and strategy.

Each of the directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- The parent company financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets liabilities, financial position and profit of the company
- the group financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- the Chairman's Statement, Chief Executive's Review and Finance Director's Review include a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties it faces.

### Directors' liability insurance

The Company has entered into deeds of indemnity for the benefit of each Director of the Company in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any Company in the Group. Those indemnities are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and have been in force during the whole of the financial year and up to the date of approval of the financial statements.

### Independent auditors

PricewaterhouseCoopers LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

### Disclosure of information to the Auditors

The Directors who hold office at the date of approval of this report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Corporate governance

The Company's statement of corporate governance can be found in the Corporate Governance Statement on pages 25 to 27 of these financial statements. The Corporate Governance Statement forms part of this Report of the Directors and is incorporated into it by cross-reference.

### Annual General Meeting

The resolutions to be proposed at the forthcoming Annual General Meeting are set out in the formal notice of the meeting, as set out on pages 76 and 77.

### Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and it is unanimously recommended that shareholders support these proposals as the Board intends to do in respect of their own holdings.

The Report of the Directors was approved by the Board on 30 March 2021 and signed on its behalf by:



**Richard Evans**  
Finance Director and Chief Operating Officer

## Corporate Governance Statement

for the year ended 31 December 2020

### Compliance

The Company recognises the value of good corporate governance in every part of its business. In September 2018 the Board adopted the corporate governance principles of the 2018 Quoted Companies Governance Code. Details of the Code can be obtained from the Quoted Companies Alliance's website ([www.theqca.com](http://www.theqca.com)).

The following statement describes how the Group as at 31 December 2020 sought to address the principles underlying the Code.

### Board composition and responsibility

The Board currently comprises two Executive Directors and three Non-Executive Directors. Christopher Mills was appointed as Non-Executive Chairman on 20 April 2016.

It is the Board's opinion that the two directors, Adam Reynolds and Carl Contadini, are independent in character and judgment and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. Both Mr. Reynolds and Mr. Contadini have been appointed to the Boards of numerous companies, with Mr. Reynolds specialising in corporate finance matters and Mr. Contadini specialising in operations in the healthcare and electronics sectors. The Board is cognisant that Mr. Contadini serves as an operational adviser to Harwood Private Equity, an investment entity of which Christopher Mills is Managing Partner. The three Board members (other than Mr. Contadini and Mr. Mills) consider that Mr. Contadini's decision-making on the EKF Board is driven by his relevant industry experience which underpins his independence. There is a majority of Board members unconnected to Mr. Mills such that it functions in a balanced manner. The Directors keep their skills up to date through appropriate training and experience both within and outside the organization.

All Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment, and are subject to re-election at least every three years. Non-Executive Directors are appointed for a specific term of office which provides for their removal in certain circumstances, including under section 168 of the Companies Act 2006. The Board does not automatically re-nominate Non-Executive Directors for election by Shareholders. The terms of appointment of the Non-Executive Directors can be obtained by request to the Company Secretary.

The Board's primary objective is to focus on adding value to the assets of the Group by identifying and assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. Matters reserved for Board decisions include strategic long-term objectives and capital structure of major transactions. The implementation of Board decisions and day to day operations of the Group are delegated to Management.

There is a division of responsibilities between the Non-Executive Chairman, who is responsible for the overall strategy of the Group and running the Board including corporate governance, and the CEO, who is responsible for implementing the strategy and day to day running of the Group. He is assisted by the Finance Director and Chief Operating Officer.

### Board meetings

9 Board meetings were held during the year, two of which were technical meetings to approve option issues which did not require the attendance of the full Board. The Directors' attendance record during the year is as follows:

<b>Christopher Mills (Non-Executive Chairman)</b>	7
<b>Julian Baines (Chief Executive Officer)</b>	9
<b>Richard Evans (Chief Operating Officer and Finance Director)</b>	9
<b>Adam Reynolds (Non-Executive Director)</b>	7
<b>Carl Contadini (Non-Executive Director)</b>	7

The Executive Directors work full time for the Group. The Non-Executive Directors are expected to devote at least two days per month to the business of the Group, plus additional days for committee meetings.

During the year the board has performed an evaluation of their performance and that of the Chairman, as well as the effectiveness of the Board committees. The Board intends to develop further its evaluation of the performance of the Board and Committees on an annual basis. The evaluation will include board composition, experience, dynamics and the board's role and responsibilities for strategy, risk review and succession planning. The evaluations will involve a detailed questionnaire and individual discussions between the Non-executive Chairman and the Directors. Being a small listed company, the Board considers it unnecessary to have evaluations facilitated by an external consultant. Independent Director Adam Reynolds will conduct an evaluation of the Non-executive Chairman's performance in conjunction with the other independent Director, Carl Contadini and input from the two Executive Directors. The outcome from these evaluations will be discussed by the Board at one of its Board meetings.

The board evaluation covers areas including the makeup of the board, the way that it conducts discussions and takes decisions, the quality of board papers, the inputs from Executive and Non-executive Directors, and the effectiveness of board committees. In each case the evaluation found that performance was satisfactory, although some improvement was required in certain areas.

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

## Corporate Governance Statement

for the year ended 31 December 2020

### Audit Committee

This comprises two Non-Executive Directors, Adam Reynolds (Chairman) and Christopher Mills. Adam Reynolds is the Senior Independent Director and has recent and relevant finance experience. The committee has responsibility over the following:

- Recommend the appointment, re-appointment and removal of the external auditors. The external audit process is assessed through discussion within the committee and with management. If the committee believes based on this assessment that the external auditors should be replaced or the audit put out to tender, this is determined by the full Board. The Company rotates its auditor or performs a retender in line with the needs of the business and legislation. The current auditors have been in place since 2010, and the audit was last retendered in 2015. There are no current plans to seek a retender.
- Ensure the objectivity and independence of the auditors including occasions when non-audit services are provided. From 2020 the external auditor does not provide non-audit services.
- Ensure appropriate 'whistle-blowing' arrangements are in place
- The Non-Executive Directors may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. Due to the relatively low number of personnel employed within the Group, the nature of the business and the current control and review systems in place, the Board has decided not to establish a separate internal audit department.
- The committee met once formally during 2020. All members attended. There were no significant matters communicated to the Committee by the Auditors. Key matters of judgement discussed with the Auditors are noted within the Audit report on pages 29 to 35.
- The committee met once formally during 2019. There were no significant matters communicated to the Committee by the Auditors and no interaction with the Financial Reporting Council.

### Remuneration Committee

The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration.

The remuneration committee is made up of Adam Reynolds (Chairman), and Christopher Mills. The committee considers the employment and performance of individual Executive Directors and determines their terms of service and remuneration. It also has authority to grant options under the Company's Executive Share Option Scheme.

The Committee met twice during 2020. All members attended all meetings.

### Board appointments

There is no formal Nominations Committee, the appointment of new Directors being considered by the full Board.

### Internal control

The Directors are responsible for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial reporting and the safeguarding of assets.

The Group, in administering its business, has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. The control system includes clear lines of accountability and covers all areas of the organisation. The Board operates procedures which include an appropriate control environment through the definition of the above organisation structure and authority levels and the identification of the major business risks. The Group has commenced a project to enhance and formalise its internal controls including the establishment of a Risk Steering Committee.

### Internal financial reporting

The Directors are responsible for establishing and maintaining the Group's system of internal reporting and as such have put in place a framework of controls to ensure that on-going financial performance is measured in a timely and correct manner and that risks are identified as early as is practicably possible. There is a comprehensive budgeting system and monthly management accounts are prepared which compare actual results against both the budget and the previous year. They are reviewed and approved by the Board and revised forecasts are prepared on a regular basis.

## Corporate Governance Statement

for the year ended 31 December 2020

### Relations with shareholders

The Company reports to Shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 clear days before the meeting. Each substantially separate issue is the subject of a separate resolution and all Shareholders have the opportunity to put questions to the Board at the Annual General Meeting.

The Chair(s) of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting. The Chairman and the Non-Executive Directors intend to maintain a good and continuing understanding of the objectives and views of the Shareholders.

Shareholders may contact the Company as follows:

**Tel:** 029 2071 0570

**Email:** investors@ekfdiagnostics.com

### Corporate social responsibility

The Board recognises that the Group has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, that it contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

With effect from the financial year to 31 December 2016, the Group became subject to the requirements of the Modern Slavery Act 2015. The Group has published the required statement on its website.

The Corporate Governance Statement was approved by the Board on 30 March 2021 and signed on its behalf by:



**Richard Evans**

Finance Director and Chief Operating Officer

## Report of the Remuneration Committee

for the year ended 31 December 2020

### Statement of compliance

This report does not constitute a Directors' Remuneration Report in accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 which do not apply to the Company as it is not fully listed. This report sets out the Group policy on Directors' remuneration, including emoluments, benefits and other share-based awards made to each Director.

### Policy on Executive Directors' remuneration

Remuneration packages are designed to motivate and retain Executive Directors to ensure the continued development of the Group and to reward them for enhancing value to shareholders. The main elements of the remuneration package for Executive Directors are basic salary or fees, performance-related bonuses, benefits and share based incentives.

### Directors' remuneration - Audited

The remuneration of the Directors for the year ended 31 December 2020 is shown in the table below (excluding long-term incentive plan):

	Salary and fees £'000	Benefits in kind £'000	Bonus £'000	Pension £'000	2020 £'000	2019 £'000
<b>Executive Directors</b>						
Julian Baines	276	14	252	14	<b>556</b>	1,637
Richard Evans	232	16	253	7	<b>508</b>	1,596
	508	30	505	21	<b>1,064</b>	3,233
<b>Non-Executive Directors</b>						
Christopher Mills	25	-	25	-	<b>50</b>	50
Carl Contadini	25	-	25	-	<b>50</b>	50
Adam Reynolds	25	-	25	-	<b>50</b>	50
	75	-	75	-	<b>150</b>	150
<b>Total fees and emoluments</b>	<b>583</b>	<b>30</b>	<b>580</b>	<b>21</b>	<b>1,214</b>	<b>3,383</b>

### Directors' share options and Long-Term Incentive Plan

No director holds options under any share option plan.

In June 2016 two Directors were granted a cash settled share-based incentive award. During 2017 both the maximum and minimum amounts payable to each Director were reduced by £0.2m. In November 2019, a payment was made to each Director of approximately £1.345m, and at the same time the terms of the scheme were updated. The terms of the scheme were again updated in 2020 following payments to each director of approximately £0.23m in July and £0.5m in January 2021. The revised awards vest if a controlling interest in the Company is acquired by a third party prior to 30 June 2024.

In these circumstances an award is payable to each Director, which increases by reference to the sale price achieved. The fair value of this award has been calculated at £11,151,500 using a modified form of a Black Scholes model. The fair value has been spread over the assumed vesting period, with a charge of £4,998,000 (2019: £1,943,000) recognised in 2020. The key assumptions used in the model, and details of the updated terms are disclosed in Note 30.

Directors' interests in the share capital of the Company are disclosed in the Directors' Report on page 23.

Approved by the Board on 30 March 2021 and signed on its behalf by:



**Richard Evans**  
Finance Director and Chief Operating Officer

## Independent auditors' report to the members of EKF Diagnostics Holdings plc

### Report on the audit of the financial statements

#### Opinion

In our opinion, EKF Diagnostics Holdings plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Consolidated and Company's Statements of Financial Position as at 31 December 2020; Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company's Statements of Cash Flows, and Consolidated and Company's Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Our audit approach

##### Overview

##### Audit scope

- We performed full-scope audit procedures in respect of the group's largest trading subsidiaries in the USA and in Germany, as well as EKF Diagnostics Holdings plc in the UK. Our audit scope also included specified audit procedures in respect of Separation Technologies Inc. in the USA. Our audit procedures covered entities contributing 90% of the group's revenues for the year ended 31 December 2020.

##### Key audit matters

- Goodwill and intangible asset impairment assessments (group and parent)
- Share-based payment transactions (group and parent)
- Accounting for investment and divestment of Trellus Health Limited ("Trellus") (group and parent)
- COVID-19 (group and parent)

##### Key audit matters

- Overall group materiality: £968,000 (2019: £378,000) based on 5% of Adjusted profit before tax (adjusted to exclude share-based payments and exceptional items).
- Overall parent company materiality: £580,000 (2019: £356,000) based on 1% of total assets.
- Performance materiality: £726,000 (group) and £435,000 (parent company).

## Independent auditors' report to the members of EKF Diagnostics Holdings plc (continued)

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

### Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, product safety (including but not limited to the US Food and Drug Administration regulation), employment legislation (including health & safety regulation) and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Evaluation of the adequacy of the design of management's controls to prevent and detect irregularities;
- Enquiry of group management and global head of quality and regulatory assurance around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to the impairment of goodwill and intangibles, share-based payments, and the accounting for the transactions associated with Trellus Health Limited (see related key audit matters below); and
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for investment and divestment of Trellus Health Limited is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

## Independent auditors' report to the members of EKF Diagnostics Holdings plc (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill and intangible asset impairment assessments (Group and parent)</b></p> <p>At 31 December 2020, the Consolidated Statement of Financial Position includes £37.0m of intangible assets, of which £24.4m is goodwill (2019: £23.8m), and £12.6m amortised intangible assets (2019: £13.9m), being research &amp; development, customer relationships and trade secrets.</p> <p>In accordance with the requirements of IFRS, management has performed impairment reviews in relation to the goodwill held in the group's cash generating units (CGUs). The book values of the intangible assets and goodwill are supported by multiple-year profitability projections based on the most recent financial results and forecasts for 2021.</p> <p>The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, the discount rate employed and profitability.</p> <p>The impairment reviews indicate that each of the CGUs has sufficient headroom at 31 December 2020 to support the carrying value of goodwill and amortised intangible fixed assets.. The CGU with the highest estimation uncertainty is considered to be DiaSpect. A 2.9% increase in discount rate or a reduction in forecast revenue growth rates in year 2-5 to 2% would result in an impairment.</p>	<p>We obtained the group's cash flow forecasts supporting its assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management and the integrity of the model used in performing the assessments and evaluated key inputs including;</p> <ul style="list-style-type: none"> <li>• The projected growth rates used, both over the short-term to 2025 and over the longer-term;</li> <li>• The discount rate used;</li> <li>• Other key inputs, including the applicable tax rate, forecast capital expenditure and forecast margins.</li> </ul> <p>We also considered 2020 performance vs budget and performance in the first part of 2021. We performed a range of sensitivity analyses to assess the impact of changes to significant assumptions (specifically the short-term revenue growth rates, including the impact of COVID-19 and the recovery of the core business, and the discount rate applied) to those used by management. Further, the group's current market capitalisation significantly exceeds consolidated net assets, which does not indicate an impairment.</p> <p>We concur with management's assessment that no impairment charge is required in respect of goodwill and intangible assets. Management has disclosed the results of its sensitivity analysis in Note 18</p>
<p><b>Share-based payment transactions (Group and parent)</b></p> <p>During 2016, two directors were awarded a cash-settled share-based incentive, which will see a payment made if the parent company is acquired by a third party before 30 June 2024 (revised - see below). The amount payable under the award varies depending on the acquisition price.</p> <p>The awards have been accounted for in accordance with IFRS 2 as cash-settled share-based payments and the value of the liability recognised as at 31 December 2020 is £6,458,000 (2019: £1,835,000). A number of assumptions have been made in valuing the awards, including the expected date of acquisition, share-price volatility and the premium expected to be paid for acquiring the parent company's shares. The exit date has been revised to 30 June 2024 (previously 30 June 2021), based on the Directors' best estimate of the probable exit date.</p> <p>The terms of the award were varied in 2019, and again in 2020, and the decision was taken by the Remuneration Committee to make further payments against the scheme of £455,000 in the year which would otherwise have been paid on exit. A further payment against the scheme, of £1,000,000 was made in January 2021, which is included in the liability recognised at the balance sheet date.</p> <p>Management engaged an independent expert to value the share-based awards and the movement in the fair value of the year-end liability has been recognised in the Consolidated Income Statement within the charge for share-based payments.</p> <p>Disclosure in respect of these awards, including sensitivities of the key assumptions, is included in Note 30.</p>	<p>We obtained the valuation of the share-based incentive awards and evaluated the independence and objectivity of management's expert. We gained an understanding of and evaluated the assumptions and methods that are significant to the management's expert's work for their relevance and reasonableness.</p> <p>We obtained and reviewed the key terms of the revised exit agreements and verified the model's inputs to independent and reliable third-party data. We also recalculated the liability using a standard Black-Scholes model. It was identified that the revised agreements incorporated a performance payment of £1,000,000 which was made subsequent to the year end. The model was consequently updated to reflect the payment as a liability at the balance sheet date, resulting in an increased liability at 31 December 2020 of £438,000 to £6,458,000. This has been appropriately corrected in the financial statements.</p> <p>We challenged management in respect of the assumptions made, including the expected exit date and expected share-price volatility and assessed these for reasonableness.</p> <p>We concluded that the work of the management's expert is appropriate and concur with management's accounting for the awards. We have also evaluated the explanatory disclosures made in Note 30 to the financial statements, and the sensitivities disclosed reflect the impact of changes in the key assumptions on the liability recognised at 31 December 2020</p>

## Independent auditors' report to the members of EKF Diagnostics Holdings plc (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Accounting for investment and divestment of Trellus Health Limited ("Trellus") (group and parent)</b></p> <p>In August 2020, the parent company invested \$5,000,000 (£3,810,000) for a 31.1% shareholding in Trellus. In December 2020, the parent company made a distribution in specie, whereby with the exception of a single "golden" share, the parent company's shareholding in Trellus was distributed to ordinary shareholders of the parent company at a total value of £3,810,000.</p> <p>Judgement has been applied in the estimation of the fair value of the non-cash dividend, which the Directors have concluded as being equivalent to the cost of the investment.</p> <p>At 31 December 2020 the "golden" share retained all of the voting rights of the shares in Trellus previously held by the group, and is classified as an associate company. Because the group no longer has the beneficial ownership of 31.1% of its shares, and on the admission to AIM or another recognised stock exchange, or after two years, the Golden Share will convert to an ordinary share, and the voting rights will transfer to the distributed shares, the Golden Share has been measured at the nominal value (84p) at the balance sheet date, as disclosed in Note 36.</p> <p>Equity accounting has not been applied to the investment, in the directors' view of the acquisition and disposal occurring in the same financial period.</p> <p>There is common directorship of Trellus, where Christopher Mills and Julian Baines, who are both directors of EKF, and Mike Salter who is the Chief Executive of the US subsidiaries, were also Directors of Trellus during the year, and at the year end. Related parties are disclosed in Note 35.</p>	<p>We obtained management's assessment and evaluated the appropriateness of the judgements applied in the accounting treatment of the transaction, and the key assumptions used in the estimate of the valuation of the shareholding and non-cash dividend in the financial statements. This included the following:</p> <ul style="list-style-type: none"> <li>We obtained and reviewed the key terms of the signed subscription agreement to determine the group had significant influence but not control of Trellus, given the shareholding held by related parties of the EKF group at the time of the transaction.</li> <li>The distribution of the shares are within the scope of IFRIC 17, which requires a fair value to be assigned to the distribution. We obtained an external valuation report to support that despite the related party nature, the price paid of \$5,000,000 for the shares obtained represents a fair market value at the time of the transaction. We also obtained and reviewed the trading results of Trellus up to the date of distribution to assess any material variations in its valuation between the time of investment and divestment. The trading result attributable to EKF on a proportionate basis was immaterial, and therefore the fair value of the non-cash dividend distributed in December 2020 being equal to the initial investment in August 2020 is considered reasonable. This also supports that the impact of the transactions if equity accounting was to be applied to the investment, are not significant.</li> <li>We corroborated the distribution of the shareholding to supporting evidence, and implications of the "golden" share to the underlying subscription agreement. We concur with management that the "golden" share has negligible economic value to the holder, and valuing the remaining "golden" share at 31 December 2020 at the nominal value; 84p is reasonable.</li> </ul> <p>We concur with management on the accounting treatment of the transaction and evaluated the disclosures in the Annual Report and confirmed it adequately describes the nature of the events.</p>
<p><b>COVID-19 (group and parent)</b></p> <p>The emergence of COVID-19 has impacted all businesses, both financially and operationally, and creates significant uncertainty in the wider economic environment. Management refer to their assessment of the pandemic risk and the mitigating actions taken, in the principal risk and uncertainties section within the strategic report on page 19.</p> <p>The group reacted to the opportunity which arose for viral transport medium related products as a result of the pandemic, and developed a COVID-19 product portfolio which has contributed to the significant growth in revenues and profitability for the year.</p> <p>However, the group recognises the risk that the pandemic has on the disruption to their core business, with revenues down 14% versus the previous year. Their strategy continues to be the protection of their core business, and recognition that while there is high demand for their COVID-19 product offerings, this is relatively short-term.</p> <p>The Directors have prepared detailed projections of future cash flows to December 2022 which reflect a number of downside scenarios.</p> <p>The Directors have included a statement within the Annual Report stating that they have reasonable confidence from the outcome of the assessment that the business can survive significant reductions in revenue for the next 12 months, due to the robust business and current strong cash balances. The Directors have concluded that it remains appropriate to prepare the group financial statements on a going concern basis.</p>	<p>While parts of the business continue to work remotely, there was no evidence to suggest a breakdown in the control environment as part of our audit work. Sufficient and appropriate audit evidence was obtained, despite the audit being performed remotely.</p> <p>We obtained the group's modelled scenarios and evaluated the appropriateness of key assumptions and inputs including:</p> <ul style="list-style-type: none"> <li>Verifying the integrity of the model as well as agreeing underlying cash flow projections to management approved forecasts;</li> <li>Assessing the accuracy of management's forecasts by obtaining management information for the financial performance year to date, and evaluating the key assumptions within management's forecasts;</li> <li>Assessing whether stress testing performed by management including plausible scenarios affecting the business, and the feasibility of mitigation actions in the stress testing scenarios.</li> </ul> <p>Based on our work undertaken across the group, we did not identify any other material impacts of COVID-19 on the group and parent company's key judgements and significant estimates.</p> <p>We obtained evidence to support management's disclosures in the financial statements, and agreed the relevant disclosures within the Annual Report, and verified the consistency of these with the financial statements and our knowledge of the audit</p>

## Independent auditors' report to the members of EKF Diagnostics Holdings plc (continued)

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group has two main manufacturing centres in Germany and the USA, in addition to the Head Office function based in the United Kingdom (UK). Manufacturing activities also occurred in the UK for the first time during the year, with external revenues earned from the COVID-19 products. The central finance and accounting team is located in the UK and is responsible for the financial reporting of EKF Diagnostics Holdings plc. Stanbio Laboratory ("Stanbio") and EKF-diagnostic GmbH ("EKF Germany") are assessed as financially significant components of the group, given the significant revenue earned by the group in these entities. A full-scope audit of these entities' financial information has been carried out. The audit of Stanbio was conducted by the group engagement team and component auditors were engaged to audit EKF Germany. Full-scope audit procedures were performed for DiaSpect Medical GmbH by the component audit team and the group audit team performed full-scope audit procedures for EKF Diagnostics Holdings plc. The parent company audit was scoped in accordance with our parent company materiality. Our audit scope also included specified audit procedures in respect of Separation Technologies Inc. (STI) in the USA, where we designed audit procedures to gain coverage over certain financial statement line items. This work was performed by the group engagement team. Our audit addressed components making up 90% of the group's 2020 revenues. Where component auditors were engaged, we adopted procedures to ensure we were sufficiently involved in their audits. These included discussions with component audit teams during the planning, fieldwork and reporting phases, the issuance of comprehensive audit instructions and a review of key working papers in key risk areas.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Overall materiality</b>	£968,000 (2019: £378,000).	£580,000 (2019: £356,000).
<b>How we determined it</b>	5% of Adjusted profit before tax (adjusted for share-based payments and exceptional items)	1% of total assets.
<b>Rationale for benchmark applied</b>	Based on the benchmarks used in the Annual Report, a profit-based measure has been used which is a primary measure used by the shareholders in assessing the performance of the group. We have used profit before tax, adjusted for share-based payments and exceptional items, which are disclosed separately to aid the users of the financial statements. The rationale is consistent with the previous year.	Historically, an asset-based measure was used for the parent company as no external revenues were generated, and the Company's Statement of Financial Position was included in the Annual Report. While external revenues have been earned by the parent company for the first time during the year, the revenue stream is considered temporary, based on the longevity of the COVID-19 opportunities, and therefore an asset-based measure remains appropriate. In the previous year, the statutory materiality was limited to component materiality allocation.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £85,000 and £902,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £726,000 for the group financial statements and £435,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £48,000 (group audit) (2019: £18,000) and £29,000 (parent company audit) (2019: £17,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Independent auditors' report to the members of EKF Diagnostics Holdings plc (continued)

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Verifying the integrity of the model as well as agreeing underlying cash flow projections to management approved forecasts;
- Assessing the accuracy of management's forecasts by obtaining management information for the financial performance year to date, and evaluating the key assumptions within management's forecasts;
- Assessing whether stress testing performed by management included plausible scenarios affecting the business, and the feasibility of mitigating actions in the stress testing scenarios

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

# Independent auditors' report to the members of EKF Diagnostics Holdings plc (continued)

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



**Heather Ancient** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

Cardiff  
31 March 2021

## Consolidated Income Statement

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	5	65,260	44,917
Cost of sales	6	(27,840)	(21,190)
<b>Gross profit</b>		<b>37,420</b>	23,727
Administrative expenses	6	(20,658)	(18,280)
Other income		133	337
<b>Operating profit</b>		<b>16,895</b>	5,784
Depreciation and amortisation	6	(4,611)	(4,441)
Share-based payments		(5,292)	(2,118)
Exceptional items	7	1,282	338
<b>EBITDA before exceptional items and share-based payments</b>	5	<b>25,516</b>	12,005
Finance income	12	53	73
Finance costs	12	(1,592)	(339)
<b>Profit before income tax</b>		<b>15,356</b>	5,518
Income tax charge	13	(3,971)	(1,586)
<b>Profit for the year</b>		<b>11,385</b>	3,932
<b>Profit attributable to:</b>			
Owners of the parent		11,114	3,678
Non-controlling interest		271	254
		<b>11,385</b>	3,932
		<b>Pence</b>	<b>Pence</b>
<b>Earnings per Ordinary Share attributable to the owners of the parent during the year</b>			
<b>From continuing operations</b>			
Basic	14	2.45	0.81
Diluted	14	2.42	0.80

The notes on pages 42 to 75 are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Profit for the year</b>		<b>11,385</b>	3,932
<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 (net of tax)	31	<b>3,276</b>	6,505
Currency translation differences		<b>734</b>	(3,096)
<b>Other comprehensive income (net of tax)</b>		<b>4,010</b>	3,409
<b>Total comprehensive income for the year</b>		<b>15,395</b>	7,341
Attributable to:			
Owners of the parent		<b>15,235</b>	7,057
Non-controlling interests		<b>160</b>	284
<b>Total comprehensive income for the year</b>		<b>15,395</b>	7,341

Items stated above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 13.

The notes on pages 42 to 75 are an integral part of these consolidated financial statements.

## Consolidated and Company's Statements of Financial Position

As at 31 December 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	12,620	12,179	1,559	1,417
Right-of-use asset	17	1,019	1,002	328	270
Intangible assets	18	37,051	37,767	128	128
Investments in subsidiaries	19	-	-	30,521	30,521
Investments	21	6,608	9,900	6,608	9,900
Trade and other receivables	22	-	-	6,670	15,326
Deferred tax assets	28	14	34	-	19
<b>Total non-current assets</b>		<b>57,312</b>	60,882	<b>45,814</b>	57,581
<b>Current assets</b>					
Inventories	23	8,487	6,073	631	-
Trade and other receivables	22	13,182	8,097	1,476	178
Current income tax receivable		371	-	-	-
Cash and cash equivalents	24	21,913	12,074	10,045	1,999
<b>Total current assets</b>		<b>43,953</b>	26,244	<b>12,152</b>	2,177
<b>Total assets</b>		<b>101,265</b>	87,126	<b>57,966</b>	59,758
<b>Equity attributable to owners of the parent</b>					
Share capital	29	4,550	4,541	4,550	4,541
Share premium	29	200	-	200	-
Other reserves	31	5,354	6,648	5,313	6,607
Foreign currency reserves		4,028	3,183	-	-
Retained earnings		63,516	56,199	31,981	39,917
		<b>77,648</b>	70,571	<b>42,044</b>	51,065
<b>Non-controlling interest</b>		<b>552</b>	601	-	-
<b>Total equity</b>		<b>78,200</b>	71,172	<b>42,044</b>	51,065
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Lease liabilities	17	690	716	221	76
Borrowings	26	323	480	-	-
Deferred tax liabilities	28	2,636	2,619	-	-
<b>Total non-current liabilities</b>		<b>3,649</b>	3,815	<b>221</b>	76
<b>Current liabilities</b>					
Trade and other payables	25	14,435	7,470	12,162	6,146
Lease liabilities	17	380	286	158	93
Deferred consideration	27	2,901	1,385	2,901	1,385
Current income tax liabilities		1,515	2,823	480	892
Borrowings	26	185	175	-	-
<b>Total current liabilities</b>		<b>19,416</b>	12,139	<b>15,701</b>	8,617
<b>Total liabilities</b>		<b>23,065</b>	15,954	<b>15,922</b>	8,693
<b>Total equity and liabilities</b>		<b>101,265</b>	87,126	<b>57,966</b>	59,758

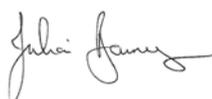
The notes on pages 42 to 75 are an integral part of these financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement.

The loss for the Parent Company for the year was £4,139,000 (2019: loss of £3,647,000).

The financial statements were approved and authorised for issue by the Board on 30 March 2021 and signed on its behalf by:

Julian Baines



Chief Executive Officer  
EKF Diagnostics Holdings plc  
Registered no: 04347937

Richard Evans



Finance Director and Chief Operating Officer

## Consolidated and Company's Statements of Cash Flows

for the year ended 31 December 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Cash flow from operating activities</b>					
Cash generated by/(used in) operations	34	20,798	6,519	9,712	(1,365)
Interest paid		(47)	(21)	(21)	-
Income tax paid		(6,942)	(1,398)	(911)	(20)
<b>Net cash generated by/(used in) operating activities</b>		<b>13,809</b>	5,100	<b>8,822</b>	(1,385)
<b>Cash flow from investing activities</b>					
Purchase of investments		(3,810)	(124)	(3,810)	(124)
Purchase of property, plant and equipment (PPE)		(1,631)	(1,418)	(222)	(74)
Purchase of intangibles		(1,014)	(957)	-	(56)
Proceeds from sale of PPE	34	68	30	-	-
Proceeds from sale of investments		7,670	-	7,670	-
Interest received		53	73	-	20
<b>Net cash generated by/( used in) investing activities</b>		<b>1,336</b>	(2,396)	<b>3,638</b>	(234)
<b>Cash flow from financing activities</b>					
Share option buy back		(7)	(15)	(7)	(15)
Proceeds from issuance of Ordinary shares		209	-	209	-
Dividend		(4,550)	-	(4,550)	-
Repayments on borrowings		(183)	(180)	-	-
Principal lease payments		(469)	(381)	(109)	(101)
Dividend payment to non-controlling interest		(209)	(58)	-	-
<b>Net cash used in financing activities</b>		<b>(5,209)</b>	(634)	<b>(4,457)</b>	(116)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,936</b>	2,070	<b>8,003</b>	(1,735)
Cash and cash equivalents at beginning of year		12,074	10,282	1,999	3,721
Exchange (losses)/gains on cash and cash equivalents		(97)	(278)	43	13
<b>Cash and cash equivalents at end of year</b>	24	<b>21,913</b>	12,074	<b>10,045</b>	1,999

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Consolidated	Notes	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 2019</b>		<b>4,541</b>	<b>-</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 /(expense)</b>									
Changes in fair value of equity instruments at fair value through other comprehensive income		-	-	6,505	-	-	<b>6,505</b>	-	<b>6,505</b>
Currency translation differences		-	-	-	(3,126)	-	<b>(3,126)</b>	30	<b>(3,096)</b>
<b>Total comprehensive income/(expense)</b>		<b>-</b>	<b>-</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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15)</b>	<b>(15)</b>	<b>(58)</b>	<b>(73)</b>
<b>At 31 December 2019 and 1 January 2020</b>		<b>4,541</b>	<b>-</b>	<b>6,648</b>	<b>3,183</b>	<b>56,199</b>	<b>70,571</b>	<b>601</b>	<b>71,172</b>
<b>Comprehensive income</b>									
Profit for the year		-	-	-	-	11,114	<b>11,114</b>	271	<b>11,385</b>
<b>Other comprehensive income</b>									
Changes in fair value of equity instruments at fair value through other comprehensive income	31	-	-	4,348	-	-	<b>4,348</b>	-	<b>4,348</b>
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	31	-	-	(5,642)	-	5,642	-	-	-
Taxation on profit on disposal of equity instruments at fair value	31	-	-	-	-	(1,072)	<b>(1,072)</b>	-	<b>(1,072)</b>
Currency translation differences		-	-	-	845	-	<b>845</b>	(111)	<b>734</b>
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(1,294)</b>	<b>845</b>	<b>15,684</b>	<b>15,235</b>	<b>160</b>	<b>15,395</b>
<b>Transactions with owners</b>									
Proceeds from share issue	29	9	200	-	-	-	<b>209</b>	-	<b>209</b>
Share option cancellation	30	-	-	-	-	(7)	<b>(7)</b>	-	<b>(7)</b>
Dividends to non-controlling interest		-	-	-	-	-	-	(209)	<b>(209)</b>
Dividends to owners	15	-	-	-	-	(8,360)	<b>(8,360)</b>	-	<b>(8,360)</b>
<b>Total distributions to owners</b>		<b>9</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>(8,367)</b>	<b>(8,158)</b>	<b>(209)</b>	<b>(8,367)</b>
<b>At 31 December 2020</b>		<b>4,550</b>	<b>200</b>	<b>5,354</b>	<b>4,028</b>	<b>63,516</b>	<b>77,648</b>	<b>552</b>	<b>78,200</b>

## Company Statement of Changes in Equity

For the year ended 31 December 2020

Company	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2019</b>	<b>4,541</b>	<b>-</b>	<b>102</b>	<b>43,579</b>	<b>48,222</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(3,647)	<b>(3,647)</b>
<b>Other comprehensive income</b>					
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	6,505	-	<b>6,505</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>6,505</b>	<b>(3,647)</b>	<b>2,858</b>
<b>Transactions with owners</b>					
Share option cancellation	-	-	-	(15)	<b>(15)</b>
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15)</b>	<b>(15)</b>
<b>At 31 December 2019 and 1 January 2020</b>	<b>4,541</b>	<b>-</b>	<b>6,607</b>	<b>39,917</b>	<b>51,065</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(4,139)	<b>(4,139)</b>
<b>Other comprehensive income/(expense)</b>					
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	4,348	-	<b>4,348</b>
Recycling of reserves in respect of disposal of equity instruments at fair value	-	-	(5,642)	5,642	-
Taxation on profit on disposal of equity instruments at fair value	-	-	-	(1,072)	<b>(1,072)</b>
<b>Total comprehensive (expense)/income</b>	<b>-</b>	<b>-</b>	<b>(1,294)</b>	<b>431</b>	<b>(863)</b>
<b>Transactions with owners</b>					
Proceeds from shares issued	9	200	-	-	<b>209</b>
Share option cancellation	-	-	-	(7)	<b>(7)</b>
Dividends to owners	-	-	-	(8,360)	<b>(8,360)</b>
<b>Total contributions by and distributions to owners</b>	<b>9</b>	<b>200</b>	<b>-</b>	<b>(8,367)</b>	<b>(8,158)</b>
<b>At 31 December 2020</b>	<b>4,550</b>	<b>200</b>	<b>5,313</b>	<b>31,981</b>	<b>42,044</b>

## Notes to the Financial Statements

for the year ended 31 December 2020

### 1. General information

EKF Diagnostics Holdings Plc is a company incorporated and domiciled in the United Kingdom. The Company is a public limited company, 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, Cardiff CF64 2EZ.

The principal activity of the Group is the development, manufacture and supply of products and services into the in-vitro diagnostic (IVD) market place. The Group has presence in the UK, USA, Germany, Russia, and China, and sells throughout the world including Europe, the Middle East, the Americas, Asia, and Africa.

The financial statements are presented in British Pounds Sterling, the currency of the primary economic environment in which the Company's headquarters is operated. The Group comprises EKF Diagnostics Holdings plc and its subsidiary Companies as set out in note 18.

The registered number of the Company is 04347937.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied throughout all years presented, unless otherwise stated.

#### Basis of preparation

The consolidated financial statements of EKF Diagnostics Holdings have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS'), and the applicable legal requirements of the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### (a) New standards, amendments and interpretations adopted by the Group.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of a Business – Amendments to IFRS 3;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 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 2021, and have not been applied in preparing these financial statements. The Group does not anticipate a material impact within its financial statements as a result of the applicable standards and interpretations.

#### Going concern

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, 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. While we have seen some disruption to our core business as a result of the COVID-19 pandemic, current trading suggests that our base case forecasts are still applicable. In addition, our range of COVID related products has been highly successful, bringing significant benefits to the Group, including higher revenue, profits, and cash balances. We believe the Group is in a strong position, however, it is difficult to assess reliably whether there will be any material disruption in the future, and for how long our COVID range will remain relevant. 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. 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 our worst case scenarios for reductions in revenue for at least the next 12 months.

The Company has net current liabilities, largely as a result of non-cash Items. The Group is profitable and cash generative and is able to provide funding for the Company if required, through loans or dividends.

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

## Notes to the Financial Statements

for the year ended 31 December 2020

### Basis of consolidation

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

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

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

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

Investments in subsidiaries are accounted for at cost less impairment.

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. The Group has retained the voting rights covering the 31.1% shareholding in Trellus Health Limited which was transferred to EKF shareholders by way of a dividend in specie. These voting rights will vest in the shareholders of Trellus once an initial public offer has been completed by Trellus. The remaining investment in Trellus has therefore been treated as an investment in an associate for the purposes of these accounts, at a nominal value. Equity accounting has not been applied as the investment in Trellus and its disposal were within the same period and the impact of the equity accounting transactions are immaterial.

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.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 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

<b>Buildings</b>	2%-2.5%
<b>Leasehold improvements</b>	20% or over the life of the lease if under 5 years
<b>Fixtures and fittings</b>	20%-25%
<b>Plant and machinery</b>	20%-33.3%
<b>Motor vehicles</b>	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 8 and 12 years and is charged to administrative expenses in the income statement.

#### (c) Customer relationships

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

#### (d) Trade secrets

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

#### (e) Development costs

Development costs acquired in a business combination are recognised at fair value at the acquisition date. 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.

## Notes to the Financial Statements

for the year ended 31 December 2020

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 6 – 8 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.

### Financial assets

#### Classification

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 31 December 2020

### 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, and large corporate customers, they are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses 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.

## Notes to the Financial Statements

for the year ended 31 December 2020

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

The Group and Company's leasing policy is described in Note 17.

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

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

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. Sensitivities relating to the valuation of the scheme are discussed in Note 30

### 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.

## Notes to the Financial Statements

for the year ended 31 December 2020

### (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. Financial risk management

### Financial risk factors

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

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

#### a) Market risk

##### (i) Foreign exchange – cash flow risk

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

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

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

##### (ii) Foreign exchange – Fair value risk

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

## Notes to the Financial Statements

for the year ended 31 December 2020

Rate compared to GBP	Average rate 2020	Average rate 2019	Year end rate 2020	Year end rate 2019
Euro	1.127	1.144	1.117	1.182
Russian Rouble	94.889	82.840	101.139	82.369
US Dollar	1.293	1.280	1.366	1.327

As a guide to the sensitivity of the Group's results to movements in foreign currency exchange rates, a one cent movement in the Euro and US Dollars to Sterling rate would impact annual earnings by approximately £60,000 (2019: £31,000) and £202,000 (2019: £43,000) respectively. The Company's results are not sensitive to changes in exchange rates.

### (iii) Cash flow and fair value interest rate risk

The Group has interest-bearing assets in the form of cash and cash equivalents and interest-bearing liabilities which relate to borrowings and finance lease obligations mainly in the Group's German subsidiary. Interest rates on cash and cash equivalents are floating whilst interest rates on certain borrowings have been fixed and therefore expose the Group to fair value interest rate risk. The Group and Company do not speculate on future changes in interest rates.

Where overseas acquisitions are made, it is the Group's policy to arrange any borrowings required in local currency.

It is the Group and Company's policy not to trade in financial instruments. The Group and Company do not use interest rate swaps.

### (b) Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local subsidiary and operating business unit is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. It is the Group and Company policy to obtain deposits or require payment in advance from customers where possible, particularly overseas customers. In addition if possible the Group will seek confirmed letters of credit for the balances due. Credit risk is managed at the operating business unit level and monitored at the Group level to ensure adherence to Group policies. If there is no independent rating, local management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Where extended credit is granted, this is agreed by the Finance Director. Credit insurance is taken out where appropriate and cost effective.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

### (c) Liquidity risk

Cash flow forecasting is performed in the individual operating entities of the Group and is aggregated by Group finance. Group finance monitors cash and cash flow forecasts and it is the Group and Company's liquidity risk management policy to maintain sufficient cash and available funding through an adequate amount of cash and cash equivalents and committed credit facilities from its bankers. Due to the dynamic nature of the underlying businesses, the head office finance team aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents available to fund the requirements of the Group and Company.

The Group's policy in relation to the finance of its overseas operations requires that sufficient liquid funds be maintained in each of its territory subsidiaries to support short and medium-term operational plans. Where necessary, short-term funding is provided by the holding company. In the UK, the management of liquid funds in excess of operational needs are controlled centrally. Typically excess funds are placed as short-term deposits, to provide a balance between interest earnings and flexibility, where the benefit outweighs the administrative cost.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Rate compared to GBP	Less than one year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 December 2020:</b>					
Borrowings	185	185	138	-	508
Lease liabilities	380	287	403	-	1,070
Deferred consideration	2,901	-	-	-	2,901
Trade and other payables	13,051	-	-	-	13,051
<b>At 31 December 2019:</b>					
Borrowings	175	175	305	-	655
Lease liabilities	286	214	489	13	1,002
Deferred consideration	1,385	-	-	-	1,385
Trade and other payables	7,152	-	-	-	7,152

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

## Notes to the Financial Statements

for the year ended 31 December 2020

### (d) Capital risk management

#### Capital risk

The Group and Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust its capital structure, the Group might adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is the sum of net debt or net cash plus equity.

#### Dividends on ordinary shares

	2020 £'000	2019 £'000
<b>Group and Company</b>		
Final dividend for the year ended 31 December 2019 of 1p per ordinary share	4,550	-
Dividend in specie of shares in Trellus Health Limited at fair value	3,810	-

In addition, since the year end the directors have recommended the payment of a final dividend of 1.1p per ordinary share (2019: 1p). The aggregate amount of the proposed dividend expected to be paid on 1 December 2021 out of retained earnings at 31 December 2020 but not recognised as a liability at year end is £5,005,000 (2019: £4,550,000).

### (e) Fair value estimation

Fair value for the investments in Renalytix AI plc and Verici Dx plc were determined by reference to their published price quotation in an active market (classified as level 1 in the fair value hierarchy).

	2020 £'000	2019 £'000
<b>Group and Company</b>		
AIM listed ordinary shares - Renalytix AI plc	4,889	9,748
AIM listed ordinary shares - Verici Dx plc	1,567	-

During the year the Company sold 1,675,000 Renalytix AI plc shares, retaining 1,002,981.

The Group and Company did not have any Level 2 or 3 classified financial assets as at 31 December 2020 (2019: none).

## 4. Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made accounting judgements in the determination of the carrying value of certain assets and liabilities. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates. The following estimates have the most significant effect on the amounts recognised in the financial statements.

### (a) Impairment of goodwill and intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as set out in note 18 where we also detail the sensitivity of changes in the key assumptions.

### (b) Share-based payments

A number of accounting estimates are incorporated within the calculation of the charge to the income statement in respect of share-based payments. These are described in more detail in note 30 including the impact of possible changes in the key assumptions.

### (c) Trellus Health Limited

The Group invested \$5.0m to acquire 31.1% of Trellus in August 2020. Further details of this transaction are given in Note 36. In December 2020, the Group distributed its shareholding in Trellus to its shareholders (with the exception of one "golden" share) by way of a dividend in specie. The fair value of the dividend has been judged as being the equivalent of the cost of the investment. The "golden" share is valued at its cost of 84p at 31 December 2020.

### (d) Recoverability of deferred tax assets

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future probability and timing, and is therefore inherently uncertain. The unrecognised deferred tax assets are described in more detail in note 28.

## Notes to the Financial Statements

*for the year ended 31 December 2020*

### 5. Segmental reporting

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

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

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

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

## Notes to the Financial Statements

for the year ended 31 December 2020

### 5. Segmental reporting continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2020 is as follows:

2020	Germany £'000	USA £'000	Russia £'000	Other £'000	Total £'000
<b>Income statement</b>					
Revenue	25,637	39,459	2,904	4,432	72,432
Inter-segment	(5,351)	(1,767)	-	(54)	(7,172)
<b>External revenue</b>	<b>20,286</b>	<b>37,692</b>	<b>2,904</b>	<b>4,378</b>	<b>65,260</b>
<b>Adjusted EBITDA*</b>					
Adjusted EBITDA*	7,343	20,094	833	(2,754)	25,516
Exceptional items (Note 7)	877	-	-	405	1,282
Share-based payments (Note 30)	-	-	-	(5,292)	(5,292)
<b>EBITDA</b>					
EBITDA	8,220	20,094	833	(7,641)	21,506
Depreciation	(787)	(511)	(24)	(522)	(1,844)
Amortisation	(1,646)	(1,120)	(1)	-	(2,767)
<b>Operating profit/(loss)</b>					
Operating profit/(loss)	5,787	18,463	808	(8,163)	16,895
Finance income	2	13	39	(1)	53
Finance cost	(26)	-	-	(1,566)	(1,592)
Income tax	(820)	(3,497)	(171)	517	(3,971)
<b>Retained profit/(loss)</b>	<b>4,943</b>	<b>14,979</b>	<b>676</b>	<b>(9,213)</b>	<b>11,385</b>
<b>Segment assets</b>					
Operating assets	39,961	36,899	355	30,529	107,744
Inter-segment assets	(112)	(11,427)	-	(16,853)	(28,392)
External operating assets	39,849	25,472	355	13,676	79,352
Cash	3,130	7,459	1,257	10,067	21,913
<b>Total assets</b>	<b>42,979</b>	<b>32,931</b>	<b>1,612</b>	<b>23,743</b>	<b>101,265</b>
<b>Segment liabilities</b>					
Operating liabilities	7,135	17,836	158	25,820	50,949
Inter-segment liabilities	(1,332)	(14,915)	-	(12,145)	(28,392)
External operating liabilities	5,803	2,921	158	13,675	22,557
Borrowings	508	-	-	-	508
<b>Total liabilities</b>	<b>6,311</b>	<b>2,921</b>	<b>158</b>	<b>13,675</b>	<b>23,065</b>
<b>Other segmental information</b>					
Non-current assets - PPE	5,912	4,632	93	3,002	13,639
Non-current assets - Intangibles	24,039	10,979	77	1,956	37,051
PPE - additions	779	575	54	741	2,149
Intangible assets - additions	679	335	-	-	1,014

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

## Notes to the Financial Statements

for the year ended 31 December 2020

### 5. Segmental reporting (continued)

2019	Germany £'000	USA £'000	Russia £'000	Other £'000	Total £'000
<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 cost	(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	721	2,065
Intangible assets – additions	739	162	-	56	957

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

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

## Notes to the Financial Statements

for the year ended 31 December 2020

### 5. Segmental reporting (continued)

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

	2020 £'000	2019 £'000
<b>Americas</b>		
United States of America	33,474	19,955
Rest of Americas	2,391	3,947
<b>Europe, Middle East and Africa (EMEA)</b>		
Germany	5,873	6,268
United Kingdom	4,522	435
Rest of Europe	8,535	3,484
Russia	2,904	3,066
Middle East	1,261	1,771
Africa	2,553	1,482
<b>Asia and Rest of World</b>		
China	767	822
Rest of Asia	2,883	3,578
New Zealand/Australia	97	109
<b>Total revenue</b>	<b>65,260</b>	<b>44,917</b>

Revenues of £16,960,000 (26.0%) were derived from one external customer. Sales to this customer all relate to the USA. In 2019 revenues of £5,122,000 (11.4%) were derived from a different customer, all of whose revenues relate to the USA.

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

	FY 2020 £'000	FY 2019 £'000	+/- %
Hematology	11,037	13,808	(20%)
Diabetes Care	19,056	20,607	(8%)
Central Laboratory	30,995	6,135	+405%
Other	4,172	4,367	(4%)
<b>Total</b>	<b>65,260</b>	<b>44,917</b>	<b>+45%</b>

Central Laboratory sales in 2020 include sales of contract manufacturing services relating to PrimeStore and other viral transport medium products of £26,799,000 (2019: £44,000).

### 6. Expenses – analysis by nature

	2020 £'000	2019 £'000
Inventories consumed in cost of sales	12,502	9,590
Employee benefit expense (note 10)	23,744	18,321
Employee costs capitalised as intangible assets	(441)	(325)
Depreciation and amortisation	4,611	4,441
Exceptional items (note 7)	(1,282)	(338)
Research and development expenses	1,440	2,267
Foreign exchange	(26)	86
Other expenses	7,950	5,428
<b>Total cost of sales and administrative expenses</b>	<b>48,498</b>	<b>39,470</b>

Included within the above expenses are exceptional items as set out in note 7.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 7. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	Note	2020 £'000	2019 £'000
- Warranty claim	a	1,414	367
- Business reorganisation costs	b	(58)	(29)
- Cost of Trellus set-up	c	(74)	-
Exceptional items		1,282	338

a. Increase in the value of an estimated warranty claim which offsets the remaining deferred consideration of £2.9m (2019: £1.4m) relating to a share-based payment to the former owner of EKF-Diagnostic GmbH. The increase is a result of the higher share price.

b. Restructuring costs, mainly closure costs, associated in 2020 and 2019 with the closure of EKF's Polish facility and other restructuring activities.

c. Start-up costs associated with the set-up of Trellus Health Limited.

### 8. Auditor remuneration

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

	2020 £'000	2019 £'000
Fees payable to Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	44	37
Fees payable to the Company's auditor and its associates for other services:		
- The audit of Company's subsidiaries	90	73
- Tax compliance services	-	11
	134	121

### 9. Directors' emoluments

	2020 £'000	2019 £'000
Aggregate emoluments	1,193	3,366
Share-based payments	4,998	1,943
Contribution to defined contribution pension scheme	21	17
	6,212	5,326

Retirement benefits are accruing to 2 (2019: 2) current directors under a defined contribution scheme. See further disclosures within the Remuneration Report on page 28. The highest paid director received aggregate emoluments, including the effect of the share-based payments charge, of £3,055,000 (2019: £2,609,000).

## Notes to the Financial Statements

for the year ended 31 December 2020

### 10. Employee benefit expense

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Wages and salaries	15,971	13,847	2,705	2,115
Social security costs	2,219	2,129	277	126
Share-based payments granted to Directors and senior management (Note 30)	5,292	2,118	568	2,118
Other pension costs (Note 32)	262	227	71	51
	<b>23,744</b>	18,321	<b>3,621</b>	4,410

Employee costs of £0.4m (2019: £0.3m) have been capitalised as part of development costs in the Group.

### 11. Monthly average number of people employed

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Monthly average number of people (including Executive Directors) employed was:				
Administration	54	59	9	11
Research and development	23	17	10	5
Sales and marketing	56	56	9	12
Manufacturing, production and after sales	205	168	17	1
	<b>338</b>	300	<b>45</b>	29

The total number of employees (FTEs) in the Group at 31 December 2020 was 356 (2019: 309), and in the Company was 53 (2019: 29).

### 12. Finance income and costs

	2020 £'000	2019 £'000
<b>Finance costs:</b>		
- Bank borrowings	17	21
- Other interest	30	-
- IFRS 16 interest	29	37
- Financial liabilities at fair value through profit or loss	1,516	281
<b>Finance costs</b>	<b>1,592</b>	339
<b>Finance income</b>		
- Interest income on cash and short-term deposits	-	6
- Other interest	53	67
<b>Finance income</b>	<b>53</b>	73
<b>Net finance costs</b>	<b>1,539</b>	266

## Notes to the Financial Statements

for the year ended 31 December 2020

### 13. Income tax charge

Group	2020 £'000	2019 £'000
Current tax:		
Current tax on profit for the year	3,913	2,096
Adjustments for prior periods	(89)	(94)
<b>Total current tax</b>	<b>4,002</b>	<b>2,002</b>
Deferred tax (note 27):		
Origination and reversal of temporary differences	(31)	(416)
<b>Total deferred tax</b>	<b>(31)</b>	<b>(416)</b>
<b>Income tax charge</b>	<b>3,971</b>	<b>1,586</b>

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. These changes had not been substantively enacted at the balance sheet date and therefore no adjustment has been made to deferred taxation balances to account for this change.

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

	2020 £'000	2019 £'000
<b>Profit before tax</b>	<b>15,356</b>	<b>5,518</b>
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19% (2019: 19%)	2,918	1,048
Tax effects of:		
- Expenses not deductible for tax purposes	572	299
- Remeasurement of deferred tax - change in future tax rate	277	(32)
- Income not subject to tax	(35)	(2)
- Utilisation of losses	(725)	(67)
- Adjustment in respect of prior years	(89)	(94)
- Impact of different tax rates in other jurisdictions	1,073	378
- Unrecognised deferred tax	-	218
- Other movements	(20)	(162)
<b>Tax charge</b>	<b>3,971</b>	<b>1,586</b>

In the Group and the Company, Changes in fair value of equity at fair value through comprehensive income are shown net of corporation tax of £1,072,000.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 14. 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.

	2020 £'000	2019 £'000
Profit attributable to owners of the parent	11,114	3,678
Weighted average number of Ordinary Shares in issue	454,524,101	454,093,227
Basic profit per share	2.45 pence	0.81 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.

	2020 £'000	2019 £'000
Profit attributable to owners of the parent	11,114	3,678
Weighted average number of Ordinary Shares in issue	458,803,076	458,414,273
Diluted profit per share	2.42 pence	0.80 pence

	2020	2019
Weighted average number of Ordinary Shares in issue	454,524,101	454,093,227
Adjustment for:		
- Assumed conversion of share awards	235,035	277,106
- Assumed payment of equity deferred consideration	4,043,940	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	458,803,076	458,414,273

### 15. Dividends

In December 2020, the Company paid a final dividend for 2019 of 1p per ordinary share, at a total value of £4,550,000. Subject to continuing strong performance and the needs of the business, the Board intends to follow a progressive dividend policy. The Directors propose, subject to approval at the Company's next Annual General Meeting, the payment of a final dividend for 2020 of 1.1p per EKF Ordinary share held on 4 November 2021. Payment will be made on 1 December 2021. The expected total value is £5,005,000.

In addition to the cash dividend described above, in December 2020 the Company made a distribution in specie whereby, with the exception of a single "golden" share, the Company's shareholding in Trellus Health Limited was distributed to ordinary shareholders of the Company at a total value of £3,810,000. The fair value per EKF share was 0.8374p. Because the investment in Trellus was made on an arms' length basis within 6 months of the dividend, the Board judged the fair value of the dividend payment to be identical to the value of the investment.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 16. Property, plant and equipment

Group	Land and buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Assets under construction (restated) £'000	Right-of-use asset £'000	Total £'000
<b>Cost</b>							
At 1 January 2019	9,990	1,373	10,551	170	228	743	23,055
Additions	88	236	252	17	825	647	2,065
Exchange differences	(392)	(60)	(566)	11	(13)	(16)	(1,036)
Transfers	74	21	321	-	(416)	-	-
Disposals	-	(18)	(283)	(20)	(10)	(33)	(364)
<b>At 31 December 2019</b>	<b>9,760</b>	<b>1,552</b>	<b>10,275</b>	<b>178</b>	<b>614</b>	<b>1,341</b>	<b>23,720</b>
<b>Accumulated depreciation</b>							
At 1 January 2019	1,596	1,103	7,044	100	-	-	9,843
Charge for the year	286	133	737	19	-	337	1,512
Exchange differences	(68)	(52)	(415)	4	-	2	(529)
Disposals	-	(18)	(249)	(20)	-	-	(287)
<b>At 31 December 2019</b>	<b>1,814</b>	<b>1,166</b>	<b>7,117</b>	<b>103</b>	<b>-</b>	<b>339</b>	<b>10,539</b>
<b>Net book value at 31 December 2019</b>	<b>7,946</b>	<b>386</b>	<b>3,158</b>	<b>75</b>	<b>614</b>	<b>1,002</b>	<b>13,181</b>
<b>Cost</b>							
At 1 January 2020	9,760	1,552	10,275	178	614	1,341	23,720
Additions	63	122	340	54	1,052	518	2,149
Exchange differences	85	26	412	(30)	18	(14)	497
Transfers	302	(285)	928	-	(945)	-	-
Disposals	-	(26)	(146)	(1)	(4)	(245)	(422)
<b>At 31 December 2020</b>	<b>10,210</b>	<b>1,389</b>	<b>11,809</b>	<b>201</b>	<b>735</b>	<b>1,600</b>	<b>25,944</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	1,814	1,166	7,117	103	-	339	10,539
Charge for the year	302	128	902	23	-	489	1,844
Exchange differences	(4)	22	300	(18)	-	(2)	298
Transfers	188	(188)	-	-	-	-	-
Disposals	-	(26)	(105)	-	-	(245)	(376)
<b>At 31 December 2020</b>	<b>2,300</b>	<b>1,102</b>	<b>8,214</b>	<b>108</b>	<b>-</b>	<b>581</b>	<b>12,305</b>
<b>Net book value at 31 December 2020</b>	<b>7,910</b>	<b>287</b>	<b>3,595</b>	<b>93</b>	<b>735</b>	<b>1,019</b>	<b>13,639</b>

Depreciation expense of £918,000 (2019: £792,000) has been charged to cost of sales and £926,000 (2019: £720,000) has been charged to administrative expenses.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 16. Property, plant and equipment (continued)

Company	Land and buildings £'000	Fixtures & fittings £'000	Assets under construction £'000	Right-of-use asset £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	1,673	142	-	176	1,991
Additions	-	74	-	203	277
Disposals	-	-	-	(33)	(33)
<b>At 31 December 2019</b>	<b>1,673</b>	<b>216</b>	<b>-</b>	<b>346</b>	<b>2,235</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	283	121	-	-	404
Charge for the year	40	28	-	76	144
<b>At 31 December 2019</b>	<b>323</b>	<b>149</b>	<b>-</b>	<b>76</b>	<b>548</b>
<b>Net book value at 31 December 2019</b>	<b>1,350</b>	<b>67</b>	<b>-</b>	<b>270</b>	<b>1,687</b>
<b>Cost</b>					
At 1 January 2020	1,673	216	-	346	2,235
Additions	-	92	130	213	435
Disposals	-	-	-	(152)	(152)
<b>At 31 December 2020</b>	<b>1,673</b>	<b>308</b>	<b>130</b>	<b>407</b>	<b>2,518</b>
<b>Accumulated depreciation</b>					
At 1 January 2020	323	149	-	76	548
Charge for the year	40	40	-	155	235
Disposals	-	-	-	(152)	(152)
<b>At 31 December 2020</b>	<b>363</b>	<b>189</b>	<b>-</b>	<b>79</b>	<b>631</b>
<b>Net book value at 31 December 2020</b>	<b>1,310</b>	<b>119</b>	<b>130</b>	<b>328</b>	<b>1,887</b>

The Company's freehold property is in Germany and occupied by its subsidiary undertaking, EKF-diagnostic GmbH. EKF-diagnostic GmbH is paying rental income of €13,900 (£12,400) per month to the parent Company. €167,000 (£149,330) (2019: €167,000 (£146,460)) was paid to the parent Company for the year. The Company adopts the cost model and shows the investment property at cost less accumulated depreciation and any accumulated impairment losses. As the property is occupied by a subsidiary, it does not meet the definition of an investment property for the Group.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 17. Leases

#### (i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	<b>Group</b> <b>31 December 2020</b> <b>£'000</b>	Group 1 January 2020 £'000	<b>Company</b> <b>31 December 2020</b> <b>£'000</b>	Company 1 January 2020 £'000
<b>Right-of-use assets</b>				
Properties	859	941	321	269
Equipment	65	18	7	1
Motor vehicles	95	43	-	-
<b>Total right-of-use</b>	<b>1,019</b>	1,002	<b>328</b>	<b>270</b>
<b>Lease liabilities</b>				
Current	380	286	158	93
Non-current	690	716	221	177
<b>Total lease liabilities</b>	<b>1,070</b>	1,002	<b>379</b>	<b>270</b>

Additions to the right-of-use assets during the 2020 financial year were £518,000 (2019: £647,000) for the Group and £202,000 (2019: £203,000) for the Company.

#### (ii) Amounts recognised in the statement of Comprehensive income

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

	<b>Group</b> <b>2020</b> <b>£'000</b>	Group 2019 £'000	<b>Company</b> <b>2020</b> <b>£'000</b>	Company 2019 £'000
<b>Depreciation charge right-of-use assets</b>				
Properties	371	212	154	76
Equipment	60	75	1	-
Motor vehicles	58	50	-	-
<b>Total right-of-use</b>	<b>489</b>	337	<b>155</b>	76
<b>Interest expense (included in finance cost)</b>				
	29	37	7	6

The total cash outflow for leases in 2020 was £469,000 (2019: £381,000) for the Group and £109,000 (2019: £101,000) for the Company

#### (iii) The group's leasing activities and how these are accounted for

The group leases various offices, factories, equipment and vehicles. Rental contracts for offices and factories are typically made for fixed periods of between 1 and 5 years, and those for machinery and vehicles for 3 years, but may have extension options as described below.

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

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

To determine the incremental borrowing rate, the Group uses recent third-party financing received, adjusted where appropriate to reflect changes in financing conditions since third party financing was received.

## Notes to the Financial Statements

for the year ended 31 December 2020

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 31 December 2020

### 18. Intangible assets

Group	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 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>299</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>299</b>	<b>37,767</b>
<b>Cost</b>							
At 1 January 2020	26,371	2,799	15,580	18,436	9,060	299	72,545
Additions	-	146	-	-	586	282	1,014
Disposals	-	-	-	-	(5,482)	-	(5,482)
Exchange differences	632	372	(39)	620	289	12	1,886
<b>At 31 December 2020</b>	<b>27,003</b>	<b>3,317</b>	<b>15,541</b>	<b>19,056</b>	<b>4,453</b>	<b>593</b>	<b>69,963</b>
<b>Accumulated amortisation</b>							
At 1 January 2019	2,550	2,389	10,358	13,141	6,340	-	34,778
Disposals	-	-	-	-	(5,474)	-	(5,474)
Exchange differences	55	201	(47)	401	231	-	841
Charge for the year	-	357	1,245	919	246	-	2,767
<b>At 31 December 2020</b>	<b>2,605</b>	<b>2,947</b>	<b>11,556</b>	<b>14,461</b>	<b>1,343</b>	<b>-</b>	<b>32,912</b>
<b>Net book value at 31 December 2020</b>	<b>24,398</b>	<b>370</b>	<b>3,985</b>	<b>4,595</b>	<b>3,110</b>	<b>593</b>	<b>37,051</b>

Amortisation charge of £20,000 (2019: £nil) has been charged to cost of sales and £2,747,000 (2019: £2,929,000) has been charged to administrative expenses in the income statement (net of the profit on the sale of intangible assets).

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to geographic operating segment. An operating segment-level summary of the goodwill allocation is presented below.

	2020 £'000	2019 £'000
Germany	17,705	16,917
Russia	77	94
USA	6,616	6,810
<b>Total</b>	<b>24,398</b>	<b>23,821</b>

## Notes to the Financial Statements

for the year ended 31 December 2020

Germany includes EKF-Diagnostic, Senslab, and DiaSpect, while the USA includes Stanbio and STI.

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2020 was assessed on the basis of value in use. The assessed value exceeded the carrying value and no impairment loss was recognised.

The key assumptions in the calculation to assess value in use are future revenues and the ability to generate future cash flows. The most recent financial results and forecasts for the next year were used and forecasts for a further four years, followed by an extrapolation of expected cash flows at a constant growth rate for each unit and the calculation of a terminal value based upon the longer term growth rates set out below. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating units. The discount rates applied reflect a risk-adjusted weighted average cost of capital.

The key assumptions used in 2020 for the value in use calculations of cash generating units with significant goodwill are as follows:

	EKF Germany %	DiaSpect %	Stanbio %	STI %
Longer-term growth rate	3	3	3	3
Discount rate	10	10	10	10

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

The impairment assessments for all units showed assessed values that exceeded the carrying values with significant headroom. Sensitivity analysis has been carried out on the assessments for each unit. In the cases of EKF Germany, Russia, Stanbio and STI, the assessment was recalculated using both a longer term growth rate of 0% and a discount rate of 15%. No impairment was required using those assumptions.

For DiaSpect, the impairment assessment has been carried out over a 5 year period with a terminal value based on the long-term growth rate. The Directors estimate that growth rates in the 5 year period from the DiaSpect products will be high because they are relatively new products that will bring market benefits, which have recently received approval for sale to blood banks in the USA. In Year 1 a growth rate of 0% has been used, reflecting the impact of the COVID pandemic on its product sales, followed by 21% in year 2, marking a return to pre-COVID levels of sales plus the anticipated growth from partners and from entering the US blood bank market, and 5% in years 3-5, reflecting a combination of continuing instrumentation sales and increasing consumable volumes as the established instrument base increases in the market. The forecast growth rates then fall to 3% thereafter. The Directors believe the product will be sold at a margin equivalent to other products sold by the Group. A 2.7% increase in the discount rate or a reduction in forecast revenue growth rates in year 2-5 to 3% would result in an impairment.

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

Trade name	1-3 years
Customer relations	2-8 years
Trade secrets	1-8 years
Development costs	3-10 years

The Company holds capitalised development costs with a cost and net book value of £1,470,000 (2019: £1,470,000) and £128,000 (2019: £128,000) respectively. These are amortised over their useful lives and an amortisation charge of £nil (2019: £262,000) has been recognised in the income statement in 2020.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 19. Investments in subsidiaries

Company Shares in Group undertakings	2020 £'000	2019 £'000
At 1 January and 31 December	30,521	30,521

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid, less any impairment.

The subsidiaries of EKF Diagnostics Holdings plc as at 31 December 2020 are as follows:

Name of Company	Note	Proportion Held	Class of Shareholding	Nature of Business
EKF Diagnostics Limited (UK)*	1	100%	Ordinary	Head Office
Quotient Diagnostics Limited*	1	100%	Ordinary	Sale of diagnostic equipment
360 Genomics Limited*	1	100% (indirect)	Ordinary	Sale of diagnostic equipment
EKF Molecular Diagnostics Limited*	1	100%	Ordinary	Manufacture and sale of diagnostic equipment
DiaSpect Medical AB	2	100%	Ordinary	Head office and IP licencing
DiaSpect Medical GmbH	3	100% (Indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
EKF-diagnostic GmbH	3	100%	Ordinary	Manufacture and sale of diagnostic equipment and consumables
Senslab GmbH	3	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
000 EKF Diagnostika	4	60% (indirect)	Ordinary	Sale of diagnostic equipment
EKF Diagnostics Inc	5	100%	Ordinary	Intermediate holding company
Stanbio Laboratory LP	5	100% (indirect)	Partnership	Manufacture and sale of diagnostic equipment and consumables
Separation Technology, Inc	5	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
1261 N Main LP	5	100% (indirect)	Partnership	Dormant
Stanlab Management LLC	5	100% (indirect)	Ordinary	Dormant
1261 N Main Management LLC	5	100% (indirect)	Ordinary	Dormant
EKF POC, LLC	5	100% (indirect)	Ordinary	Dormant
Argutus Intellectual Property Limited	6	100% (indirect)	Ordinary	Dormant
EKF Diagnostics Limited (Ireland)	6	100%	Ordinary	Manufacture and sale of diagnostic equipment
EKF Diagnostics (Shanghai) Co. Ltd	7	100%	Ordinary	Dormant

#### Notes

- Incorporated, registered and having its principal place of business in the United Kingdom, with its registered office being Avon House, 19 Stanwell Road, Penarth Vale of Glamorgan, CF64 2EZ.
- Incorporated in Sweden. The principal place of business is in Germany. The registered address is Lytta Gard, 75593 Uppsala, Sweden.
- Incorporated, registered, and having its principal place of business in Germany at Ebendorfer Chaussee 3, 39179 Barleben, Germany.
- Incorporated, registered, and having its principal place of business in Russia at 117648, Moscow, PO Box: 30, District Severnoe Chertanovo, House 2, building 207.
- Incorporated and registered, or formed, and having its principal place of business in the United States of America at 1261 North Main Street, Boerne, Texas, USA 78006.
- Incorporated and registered in Ireland c/o Mazars, Harcourt Centre, Block 3, Harcourt Road, Dublin 2. Its principal place of business is in the United Kingdom.
- Incorporated and registered in China, Suite 1202, Jin Hong Qiao International Center Building I, No. 523 Loushan-guan Road, Changning District, Shanghai, P.R.C.200051

In December 2020 the Group's former company based in Poland was liquidated.

## Notes to the Financial Statements

for the year ended 31 December 2020

All subsidiaries are included in the consolidation. The proportions of voting shares held by the parent Company do not differ from the proportion of Ordinary Shares held.

\* All UK subsidiaries are exempt from the requirement to file audited financial statements by virtue of section 479A of the Companies Act 2006. As part of this process, the Company has provided statutory guarantees to these subsidiaries.

### 20. Financial instruments by category

#### (a) Assets

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>31 December</b>				
<b>Assets as per balance sheet</b>				
Financial assets at fair value through other comprehensive income	6,608	9,900	6,608	9,900
Trade and other receivables excluding prepayments and corporation tax	12,312	7,617	7,987	15,388
Cash and cash equivalents	21,913	12,074	10,045	1,999
<b>Total</b>	<b>40,833</b>	<b>29,591</b>	<b>24,640</b>	<b>27,287</b>

#### (b) Liabilities

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>31 December</b>				
<b>Liabilities as per balance sheet</b>				
Borrowings	508	655	-	-
Lease liabilities	1,070	1,002	328	270
Trade and other payables (excluding deferred grants and deferred income)	13,051	7,329	12,097	2,847
Deferred consideration	2,901	1,385	2,901	1,385
<b>Total</b>	<b>17,530</b>	<b>10,371</b>	<b>15,326</b>	<b>4,502</b>

Liabilities in the analysis above are all categorised as 'other financial liabilities at amortised cost' for the Group and Company, with the exception of deferred equity consideration totalling £2,901,000 (2019: £1,385,000) that is categorised as a financial liability at fair value through profit and loss. Borrowings have been included at fair value which is not materially different to amortised cost.

#### (c) Credit quality of financial assets

The Group is exposed to credit risk from its operating activities (primarily for trade receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's maximum exposure to credit risk, due to the failure of counterparties to perform their obligations as at 31 December 2020 and 31 December 2019, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets.

##### Trade receivables

The credit quality of trade receivables that are neither past due nor impaired have been assessed based on historical information about the counterparty default rate. The Group does not hold any other receivable balances with customers, whose past default has resulted in the recovery of the receivables balances.

##### Cash at bank

The credit quality of cash has been assessed by reference to external credit ratings, based on reputable credit agencies' long-term issuer ratings:

	2020 £'000	2019 £'000
A+	10,045	-
AA-	596	2,405
Ratings lower than AA- or unrated	11,272	9,669
<b>Total</b>	<b>21,913</b>	<b>12,074</b>

## Notes to the Financial Statements

for the year ended 31 December 2020

### 21. Investments

Group and Company	2020 £'000	2019 £'000
1 January	9,900	3,271
Additions	-	124
Change in fair value through other comprehensive income	4,348	6,505
Disposal	(7,640)	-
<b>31 December</b>	<b>6,608</b>	<b>9,900</b>

The investments consist of a 0.66% holding in Epinex Diagnostics Inc., a US based privately held company operating in the medical diagnostics industry; a 19.90% holding in DX Economix, Inc., a Canadian based privately held company operating in the healthcare consultancy industry, the value of which has been 100% impaired. The Group held a 1.39% holding (2019: 4.51%) in Renalytix AI plc, an AIM listed developer of artificial intelligence enabled diagnostics for kidney disease, with a fair value at 31 December 2020 of £4.89m and a 1.89% (2019: Nil) holding in Verici Dx plc, an AIM listed developer of advanced clinical diagnostics for organ transplant, with a fair value at 31 December of £1.57m. In each case the fair value is calculated using the quoted mid price.

On 26 November the Company sold 1,675,000 shares in Renalytix at an average price after expenses of £4.5793 per share, at a total value of £7,670,326.

These equity securities are not held for trading. They are held as financial assets at fair value through other comprehensive income.

### 22. Trade and other receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Non-current</b>				
Amounts owed by subsidiary undertakings	-	-	6,670	15,326
<b>Current</b>				
Trade receivables	9,181	6,182	1,231	-
Less: provision for impairment of trade receivables	(87)	(181)	-	-
Trade receivables - net	9,094	6,001	1,231	-
Prepayments	870	480	158	116
Other receivables	3,589	1,616	87	62
	<b>13,553</b>	<b>8,097</b>	<b>1,476</b>	<b>178</b>

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other than to certain corporate customers who are granted 60 day terms, they are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The group holds the trade receivables with the objective of collecting the contractual cash flows.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

As of 31 December 2020, in the Group trade receivables of £2,062,000 (2019: £1,478,000) were past due but not covered by a loss allowance. In the Company, £395,000 (2019: £nil) were past due but not covered by a loss allowance. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Up to 3 months	2,000	1,380	394	-
3 to 6 months	8	79	1	-
Over 6 months	54	19	-	-
	<b>2,062</b>	<b>1,478</b>	<b>395</b>	<b>-</b>

As of 31 December 2020, trade receivables of £87,000 (2019: £181,000) were subject to a loss allowance. The Company does not hold a loss allowance. The ageing of these receivables is as follows

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Up to 3 months	34	1	-	-
3 to 6 months	39	31	-	-
Over 6 months	14	149	-	-
<b>Total</b>	<b>87</b>	<b>181</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

for the year ended 31 December 2020

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

	<b>Group 2020 £'000</b>	Group 2019 £'000	<b>Company 2020 £'000</b>	Company 2019 £'000
At 1 January	181	487	-	-
Provision for receivables impairment	24	6	-	-
Receivables written off during the year as uncollectible	-	-	-	-
Unused amounts reversed	(118)	(292)	-	-
Exchange differences	-	(20)	-	-
<b>At 31 December</b>	<b>87</b>	<b>181</b>	<b>-</b>	<b>-</b>

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group's trade and other receivables denominated in foreign currencies were as follows:

	<b>Group 2020 £'000</b>	Group 2019 £'000	<b>Company 2020 £'000</b>	Company 2019 £'000
UK Sterling	1,476	178	1,477	178
Euros	6,340	3,541	2,083	3,446
US dollar	5,702	4,315	4,586	11,880
Russian rouble	35	62	-	-
Polish zloty	-	1	-	-
	<b>13,553</b>	<b>8,097</b>	<b>8,146</b>	<b>15,504</b>

### 23. Inventories

	<b>Group 2020 £'000</b>	Group 2019 £'000	<b>Company 2020 £'000</b>	Company 2019 £'000
Raw materials	5,854	4,492	513	-
Work in progress	931	432	-	-
Finished goods	1,702	1,149	118	-
	<b>8,487</b>	<b>6,073</b>	<b>631</b>	<b>-</b>

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The carrying values above are stated net of impairment provisions of £2,810,000 (2019: £1,763,000). The Company does not hold any impairment provisions.

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £12,502,000 (2019: £9,590,000), and in the Company £1,359,000 (2019: £nil).

### 24. Cash and cash equivalents

	<b>Group 2020 £'000</b>	Group 2019 £'000	<b>Company 2020 £'000</b>	Company 2019 £'000
Cash at bank and in hand	21,913	12,074	10,045	1,999
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<b>21,913</b>	<b>12,074</b>	<b>10,045</b>	<b>1,999</b>

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 25. Trade and other payables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	2,408	748	189	50
Amounts due to subsidiary undertakings	-	-	3,766	3,300
Social security	148	124	64	57
Other payables	6,733	1,985	6,535	1,835
Accrued expenses and deferred income	5,146	4,613	1,608	904
	<b>14,435</b>	<b>7,470</b>	<b>12,162</b>	<b>6,146</b>

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature. Trade payables are unsecured and are usually paid within 30 days of recognition. Amounts due by the Company to its subsidiaries are interest free and repayable on demand.

### 26. Borrowings

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Non-current</b>				
Bank borrowings	323	480	-	-
	<b>323</b>	<b>480</b>	-	-
<b>Current</b>				
Bank borrowings	185	175	-	-
	<b>185</b>	<b>175</b>	-	-

The maturity profile of borrowings was as follows:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Amounts falling due</b>				
Within 1 year	185	175	-	-
Between 1 and 2 years	185	175	-	-
Between 2 and 5 years	138	305	-	-
More than 5 years	-	-	-	-
<b>Total borrowings</b>	<b>508</b>	<b>655</b>	-	-

#### Bank borrowings

Bank borrowings mature in 2023 and bear an average fixed coupon of 2.5% annually (2019: 2.5%).

Bank borrowings are secured against certain assets of the Group. The Parent Company has also provided guarantees against those bank borrowings which are denominated in foreign currencies.

The Euro denominated borrowings have covenants attached to them. The Group has been compliant with these covenants throughout the year.

The bank borrowings are repayable by quarterly instalments.

The Group is not exposed to interest rate changes or contractual re-pricing dates at the end of the reporting period, as the borrowings are fixed in nature.

The fair value of both current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

The carrying amounts of the group's bank borrowings are all denominated in euros.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 27. Deferred consideration

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
At 1 January	1,385	1,104	1,385	1,104
Fair value adjustment	1,516	281	1,516	281
<b>At 31 December</b>	<b>2,901</b>	<b>1,385</b>	<b>2,901</b>	<b>1,385</b>

The deferred consideration consists of 4,043,940 Ordinary Shares originally valued at £605,000 to be issued as part of the consideration paid for the acquisition of EKF-diagnostic GmbH Germany. The value of the shares has been adjusted to its fair value at 31 December 2020 of £2,901,000. Whilst agreement has been reached in principle to conclude the position, the contract amendment has not yet been signed. All of the outstanding balance is current.

### 28. Deferred income tax

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

Group	2020 £'000	2020 £'000
<b>Deferred tax assets</b>		
Deferred tax asset to be recovered within 12 months	(14)	(15)
Deferred tax asset to be recovered after more than 12 months	-	(19)
	(14)	(34)
<b>Deferred tax liabilities</b>		
Deferred tax liability to be recovered after more than 12 months	2412	2,505
Deferred tax liability to be recovered within 12 months	224	114
	2,636	2,619
<b>Deferred tax liabilities - net</b>	<b>2,622</b>	<b>2,585</b>

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

	2020 £'000	2019 £'000
At 1 January	2,585	3,143
Exchange differences	68	(142)
Rate change through income statement	277	-
Income statement movement (note 13)	(308)	(416)
<b>At 31 December</b>	<b>2,622</b>	<b>2,585</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation £'000	Other £'000	Total £'000
<b>At 1 January 2019</b>	114	3,065	3,179
Credited to the income statement	45	(463)	(418)
Exchange differences	(8)	(134)	(142)
<b>At 31 December 2019</b>	<b>151</b>	<b>2,468</b>	<b>2,619</b>
<b>At 1 January 2020</b>	151	2,468	2,619
Credited to the income statement	63	(389)	(326)
Rate change	-	277	277
Exchange differences	11	56	66
<b>At 31 December 2020</b>	<b>225</b>	<b>2,411</b>	<b>2,636</b>

## Notes to the Financial Statements

for the year ended 31 December 2020

Deferred tax assets	Tax losses £'000	Other £'000	Total £'000
<b>At 1 January 2019</b>	(13)	(23)	(36)
Charged to the income statement	(2)	4	2
<b>At 31 December 2019</b>	<b>(15)</b>	<b>(19)</b>	<b>(34)</b>
<b>At 1 January 2020</b>	(15)	(19)	(34)
Charged to the income statement	1	19	20
<b>At 31 December 2020</b>	<b>(14)</b>	<b>-</b>	<b>(14)</b>

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £964,000 (2019: £817,000) mainly in respect of tax losses amounting to £4,880,000 (2019: £4,300,000), primarily arising in the UK entities, that can be carried forward against future taxable income, as the likely timing of recovery is considered too remote; and of £1,008,000 (2019: £313,000) in respect of cash settled share based payment liabilities of £6,458,000 (2019: £1,835,000) for the same reason.

Company	2020 £'000	2019 £'000
<b>Deferred tax assets</b>		
Deferred tax asset to be recovered after more than 12 months	-	19
<b>Deferred tax</b>	<b>-</b>	<b>19</b>

### 29. Share capital

Group and Company	Number of Shares	Share capital £'000	Share premium £'000
<b>At 1 January 2019 and 31 December 2019</b>	<b>454,093,227</b>	<b>4,541</b>	<b>-</b>
<b>Exercise of share options</b>	<b>900,000</b>	<b>9</b>	<b>200</b>
<b>At 31 December 2020</b>	<b>454,993,227</b>	<b>4,550</b>	<b>200</b>

Ordinary shares have a par value of 1p and are all fully paid. They entitle the holder to participate in dividends and to share in the proceeds of winding up the Company in proportion to the number and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote; and on a poll each share is entitled to one vote. The Company does not have a limited amount of authorised capital.

On 5 May 2020, 500,000 Ordinary share were issued following the exercise of share options at a price of 20p, and on 30 September 2020, 400,000 Ordinary share were issued following the exercise of share options at a price of 27.25p.

The Company has not acquired any ordinary shares during this year (2019: nil).

## Notes to the Financial Statements

for the year ended 31 December 2020

### 30. Share options and share-based payments

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

Unapproved share option scheme	2020		2019	
	Av. Exercise price per share (£)	Options (Number)	Av. Exercise price per share (£)	Options (Number)
At 1 January	0.240	950,000	0.247	1,200,000
Cancelled	0.273	(25,000)	0.273	(250,000)
Expired	0.232	(900,000)	-	-
<b>At 31 December</b>	<b>0.37625</b>	<b>25,000</b>	<b>0.240</b>	<b>950,000</b>

The remaining unapproved share options consist of the following:

- 25,000 options were issued on 21 January 2014 to a senior employee at an exercise price of 37.625p per share. These options are exercisable from the third anniversary of grant with a maximum term of 10 years. These options have vested.

All share option awards are equity settled. Out of the 25,000 (2019: 950,000) outstanding options 25,000 (2019: 950,000) were exercisable at 31 December 2020.

Expiry Date	2020		2019	
	Av. Exercise price per share (£)	Options (Number)	Av. Exercise price per share (£)	Options (Number)
07.07.2023	-	-	0.2725	400,000
21.01.2024	0.37625	25,000	0.37625	50,000
06.04.2025	-	-	0.200	500,000
		<b>25,000</b>		<b>950,000</b>

On 2 June 2016 two Directors were granted a cash settled share-based incentive award. The terms of the award were varied in 2019, and again in 2020. Payments were made against the scheme in 2019 and a further payment of £455,000 was made in 2020. As varied, the awards vest if a controlling interest in the Company is acquired by a third party prior to 30 June 2024. Following this payment a residual amount representing 5% of the excess sales price achieved over 29p per share is payable to the two Directors. The fair value of this award has been calculated at £11,151,000 (2019: £2,481,000) using a modified form of a Black Scholes model. The key assumptions in the model included expected volatility of 46% (2019: 32%), a risk free rate of (0.11)% (2019: 0.54%) and an expected dividend yield of 1p per share (2019: 1p per share); and an assumed acquisition premium and option life. The increase in the liability is largely due to the increase in the Company's share price over the period.

A further payment against the scheme, of £1,000,000, was made in January 2021. Following this payment a residual amount representing 5% of the excess sales price achieved over 33.4p per share is payable to the two Directors.

On 9 October 2017, a senior employee was granted a cash settled share-based incentive award. The award vests if a controlling interest in the Company is acquired by a third party at any time while the holder remains an employee. There is a minimum price level below which no amount is payable, with the amount payable rising based on the sale price achieved, up to a maximum of \$700,000. The fair value of this award has been calculated at £279,000 (2019: £144,000), using a similar model and assumptions as noted above.

£5,292,000 (2019: £2,118,000) has been recognised as an expense in administrative expenses in the current year, and £6,458,000 (31 December 2019: £1,835,000) is shown as a liability on the balance sheet at 31 December 2020 within trade and other payables. If the assumption on volatility had been 55%, then the liability would have increased by £191,000; if the exit date had been assumed to be 6 months earlier, then the liability would have increased by £423,000; and if the acquisition premium was reduced to 0% then the liability would have decreased by £872,000.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 31. Other reserves

Group	Capital redemption reserve £'000	Other reserve £'000	Total £'000
<b>At 1 January 2019</b>	102	41	143
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income	-	6,505	6,505
<b>At 31 December 2019</b>	102	6,546	6,648
<b>At 1 January 2020</b>	102	6,546	6,648
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income	-	4,348	4,348
Recycling of reserves in respect of disposal of equity instruments at fair value	-	(5,642)	(5,642)
<b>At 31 December 2020</b>	<b>102</b>	<b>5,252</b>	<b>5,354</b>

The Group has elected to recognise changes in the fair value of certain investments in equity securities in Other Comprehensive Income, as explained in note 2. These changes are accumulated within the FVOCI reserve within equity and disclosed as Other reserve. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

### 32. Retirement benefit obligations

#### Pension benefits

The Company operates defined contribution pension schemes the assets of which are held separately from those of the Company in independently administered funds. The pension cost for the year represents contributions made by the Company to the funds and amounted to £262,000 (2019: £227,000). The value of pension contributions owed to pension providers at 31 December 2020 was £11,000 (2019: £9,000).

### 33. Commitments

#### Capital commitments

The Group has contracted £41,000 (2019: £nil) capital expenditure at the end of the reporting period that had not yet been incurred.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 34. Cash generated by operations

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Profit/(loss) before tax	15,356	5,518	(4,693)	(3,301)
Adjustments for:				
- Depreciation	1,844	1,512	235	144
- Amortisation	2,767	2,929	-	262
- Warranty claim	(1,414)	(367)	-	-
- (Profit)/loss on disposal of fixed assets	(22)	14	-	-
- Loss on disposal of intangible assets	8	-	-	-
- Share-based payments	4,775	2,118	4,775	2,118
- Dividend received	(31)	-	(31)	-
- Fair value adjustment	1,516	281	1,516	281
- Foreign exchange	26	86	(12)	102
- Bad debt written down	45	212	(106)	8
- Net finance (income)/cost	23	(15)	(815)	(941)
Changes in working capital				
- Inventories	(2,557)	37	(631)	-
- Trade and other receivables	(3,426)	(327)	8,080	3,704
- Trade and other payables	1,888	(5,479)	1,436	(3,742)
<b>Net cash generated by/(used in) operations</b>	<b>20,798</b>	<b>6,519</b>	<b>9,754</b>	<b>(1,365)</b>

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

Group	2020 £'000	2019 £'000
Net book value	46	44
(Loss)/profit on disposal of property, plant and equipment	22	(14)
<b>Proceeds from disposal of property, plant and equipment</b>	<b>68</b>	<b>30</b>

#### Non-cash transactions

The principal non-cash transactions are: the revaluation of shares held in Renalytix AI plc and Verici Dx plc; the dividend in specie of shares in Trellus Health Limited; 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.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 35. Related Party Disclosures

#### Directors

Christopher Mills is interested in 29.94 per cent. of the Company's issued share capital through North Atlantic Smaller Companies Investment Trust PLC and Oryx International Growth Fund Limited. Harwood Capital LLP is investment manager to North Atlantic Smaller Companies Investment Trust plc and investment adviser to Oryx International Growth Fund Limited. Harwood Capital LLP, which is part of the Harwood Capital Management Group (of which Christopher is sole shareholder) is a limited liability partnership of which Christopher Mills is Chief Investment Officer. He is non-executive chair of Renalytix AI plc ("Renalytix") and a non-executive director of Trellus Health Limited ("Trellus"). The Group owns 1.39% of Renalytix, and sold a further 2.32% during the year at a value of £7.67m, generating a gain of £5.64m. The Group invoiced £1,380 to Renalytix during the year for services, all of which was outstanding at year end. The Group invested \$5m in Trellus in August 2020, and in December transferred that investment to relevant EKF shareholders through a dividend in specie. The Company has retained one golden share which holds the voting rights in the transferred shares. There were no other transactions with Trellus. Christopher Mills is interested in 29.2% of the share capital in, and is a director of Sourcebio International plc ("Source"). During the year the Group invoiced goods totalling £236,167 to a subsidiary company of Source, and was owed £199,236 by Source at year end.

The Group was invoiced £18,000 (2019: £18,000) by J & K (Cardiff) Limited for property rent. Julian Baines is a Director of J & K (Cardiff) Limited. Julian is also non-executive chair of Trellus.

Carl Contadini acts as an Operational Advisor to Harwood which acts as investment manager and investment adviser to NAIT and Oryx respectively.

Adam Reynolds is a non-executive director of Yourgene Health plc ("Yourgene") and of Myhealthchecked plc ("Concepta"). During the period the Group invoiced £342,904 to Yourgene for goods, and was owed £92,869 by Yourgene at year end; and was invoiced £3,400 by Yourgene for services, £nil was owed to them at year end. During the year the Group invoiced £16,500 for goods to a subsidiary of Concepta, of which £13,200 was outstanding at year end, and was invoiced £3,400 for goods by Concepta of which £nil was outstanding at year end.

Directors' emoluments are set out in the Remuneration Committee report and in note 9.

The performance related payment made to the Executive directors under the cash settled share based payment scheme is set out in note 30.

#### Other related party transactions

Sergey Kots who is Chief Executive of OOO EKF Diagnostika ("EKF Russia"), owns 20% of the subsidiary's share capital. During the year EKF Russia invoiced £538,000 (2019: £655,000) to OOO Laboratory Diagnostic Systems, a company of which Mr Kots' brother is a director.

Michael Salter is a director of Trellus Health Limited.

#### Key management compensation

Key management compensation for the year was as follows:

	2020 £'000	2019 £'000
Salaries and other short-term employee benefits	1,193	3,366
Share-based payments	4,998	1,943
Employer contribution to pension scheme	21	17
	<b>6,212</b>	<b>5,326</b>

Key management includes the Directors of the Company only.

#### The Company

During the year the Company invoiced management charges of £3,773,000 (2019: £2,719,000) and interest of £836,000 (2019: £929,000) to its subsidiary companies, it also invoiced rental costs to EKF Germany of €167,000 (£149,330) (2019: €167,000 (£146,460)). It purchased goods and services from subsidiaries totalling £2,644,000 (2019: £270,000). At 31 December 2020 the Company was owed £6,669,000 (2019: £15,326,000) by its subsidiaries and owed £3,766,000 (2019: £3,300,000) to other subsidiaries.

### 36. Investment in Associate

In August 2020 the Company invested \$5,000,000 (£3,810,000) for a 31.1% shareholding in Trellus Health Limited, a pioneer in resilience-driven care for people with complex chronic conditions. In December 2020 the Company made a distribution in specie whereby, with the exception of a single "golden" share, the Company's shareholding in Trellus Health Limited was distributed to ordinary shareholders of the Company at a total value of £3,810,000. The fair value per EKF share was 0.8374p. In view of the acquisition and disposal occurring in the same financial period, the Group has not applied equity accounting to this investment, but instead has valued the dividend at cost.

At 31 December 2020 the "golden" share retained all of the voting rights of the shares in Trellus previously held by the Group. On the admission to AIM or another recognised stock exchange, or after two years, the Golden Share will convert to an ordinary share, and the voting rights will transfer to the distributed shares. Because the Group retains the voting rights but not the beneficial ownership of 31.1% of its shares, Trellus is treated as an associate company at the period end. The Golden Share is valued at its cost of 84p at 31 December 2020.

## NOTICE OF ANNUAL GENERAL MEETING

### EKF Diagnostics Holdings PLC (Company)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (Meeting) of EKF Diagnostics Holdings plc (Company) will be held at the Company's offices at Avon House, 19 Stanwell Road, Penarth, Cardiff, CF64 2EZ on 19 May 2021 at 10.30 a.m for the following purposes:

#### Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 31 December 2020 together with the reports of the Directors and the auditors thereon.
2. To re-elect Richard Evans, who retires by rotation, as a Director
3. To re-appoint Messrs PricewaterhouseCoopers LLP as auditors to act as such until the conclusion of the next General Meeting of the Company at which the requirements of section 437 of the Companies Act 2006 complied with and to authorise the Directors of the Company to fix their remuneration
4. That in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to allot Relevant Securities of the Company:
  - i. up to a maximum nominal amount of £41,000 (in pursuance of the exercise of outstanding share options and other potential shares granted by the Company but for no other purpose);
  - ii. up to an aggregate nominal amount of £454,993.23 (in addition to the authorities conferred in sub-paragraphs (i) above) representing approximately 10% of the Company's Issued Share Capital, such authorities (unless previously renewed, revoked or varied) to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2022, save that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
5. To declare a final dividend of 1.1 pence per ordinary share to be paid on 1st December 2021 to the holders of ordinary shares on the register of members at the close of business on 4 November 2021.

#### Special Resolutions

6. That, subject to the passing of the above Resolution the Directors be given the general power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by the Resolution above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
  - i. the allotment of equity securities on the exercise of the share options granted by the Company;
  - ii. the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) above) for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and
  - iii. the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of £454,993.23 representing approximately 10% of the Company's Issued Share Capital; provided that such power (unless previously renewed, revoked or varied) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2022, save that the Company may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.
7. That the Company be and is generally and unconditionally authorised for the purposes of section 701(1) of the 2006 Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange of ordinary shares of £0.01 each in the capital of the Company ("Ordinary Shares") provided that:
  - i. the maximum aggregate number of Ordinary Shares authorised to be purchased is 68,248,984 (representing approximately 15 per cent. of the Company's issued ordinary share capital);
  - ii. the minimum price (excluding expenses) which may be paid for such Ordinary Shares is £0.01 per share;
  - iii. the maximum price (excluding expenses) which may be paid for an Ordinary Share shall not be more than 5 per cent. above the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

## NOTICE OF ANNUAL GENERAL MEETING

EKF Diagnostics Holdings PLC (Company)

- iv. unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the Company's next annual general meeting or 30 June 2022, if earlier; and
- v. the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered Office  
Avon House  
19 Stanwell Road  
Penarth  
CF64 2EZ

30 March 2021

BY ORDER OF THE BOARD



**Salim Hamir**  
Company Secretary

## Notes

1. The Company specifies that only those members registered on the Company's register of members at close of business on 17 May 2021 or if this general meeting is adjourned, at close of business on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the General Meeting.
2. The Company will provide a facility for shareholders to join the General Meeting either online or telephonically and there will be an opportunity for shareholders to vote and ask questions. In order to facilitate the process, the Board would request that Shareholders register for the meeting and submit questions in advance, before 10.30 a.m. on 17 May 2021. To register for dial-in details and to submit any questions please contact Walbrook PR via email at [ekf@walbrookpr.com](mailto:ekf@walbrookpr.com) or call +44 (0)20 7933 8780.
3. If you are a Shareholder of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to electronically attend, speak and vote at the meeting. You can only appoint a proxy using the procedures set out these notes and the notes to the proxy form.
4. You will not receive a hard copy form of proxy with this document. Instead, you will be able to vote electronically using the link [www.signalshares.com](http://www.signalshares.com). You will need to log into your Signal Shares account, or register if you have not previously done so. To register you will need your Investor Code, this is detailed on your share certificate or available from our Registrar, Link Group. Votes submitted electronically must be submitted by no later than 10.30 a.m. on 17 May 2021.
5. You may request a hard copy form of proxy directly from the Registrars, Link Group at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) or on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Line are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.
6. In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10.30 a.m. on 17 May 2021. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group at the address noted in note 5 above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
12. In order to revoke a proxy instruction you will need to inform the Company by contacting Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Line are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Group no later than 10.30 a.m. on 17 May 2021. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
13. Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.
14. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share
15. Voting on the resolution will be conducted by way of a poll vote.
16. As at the close of business on the day immediately before the date of this notice of general meeting, the Company's issued share capital comprised 454,993,227 ordinary shares of nominal value 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business, on the day immediately before the date of this notice of general meeting is 454,993,227.

## Company information

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### Directors:

**Christopher Mills**

(Non-Executive Chairman)

**Julian Baines MBE**

(Chief Executive Officer)

**Richard Evans**

(Chief Operating Officer and Finance Director)

**Carl Contadini**

(Non-Executive Director)

**Adam Reynolds**

(Non-Executive Director)

### Company Secretary:

**Salim Hamir****Registered office and Head office:**

Avon House  
19 Stanwell Road Penarth  
Cardiff CF64 2EZ

### Place of incorporation:

England and Wales (Company number - 4347937)

### Independent Auditors:

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
One Kingsway  
Cardiff CF10 3PW

### Nominated Advisor and Broker:

**N+1 Singer**

1 Bartholemew Lane London EC2N 2AX

### Solicitors to the Company:

**Berry Smith LLP**

Haywood House Dumfries Place Cardiff  
CF10 3GA

**BDB Pitmans LLP**

One Bartholemew Close  
London  
EC1A 7BL

### Registrars:

**Link Group**

Central Square  
29 Wellington Street  
Leeds LS1 4DL

If you have a query regarding your shareholding please call the Link shareholder helpline on +44 (0)371 664 0300 (calls are charged at the standard geographic rate and will vary by provider)

or visit their website at <https://www.linkgroup.eu/get-in-touch/shareholders-in-uk-companies/>

### Financial PR and investor relations:

**Walbrook PR Limited**

75 King William Street  
London  
EC4N 7BE

[ekf@walbrookpr.com](mailto:ekf@walbrookpr.com)

### Investor relations email:

[investors@ekfdiagnostics.com](mailto:investors@ekfdiagnostics.com)



EKF Diagnostics Holdings plc

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Email: [investors@ekfdiagnostics.com](mailto:investors@ekfdiagnostics.com)

[www.ekfdiagnostics.com](http://www.ekfdiagnostics.com)

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