RNS Number : 1683T
EKF Diagnostics Holdings PLC
23 September 2010

EKF Diagnostics Holdings plc
("EKF" or the "Company")

Acquisition of Quotient Diagnostics Limited

EKF Diagnostics Holdings plc (AIM: EKF), which has recently refocused on the in-vitro diagnostic devices market, announces that it proposes to acquire the entire issue share capital of Quotient Diagnostics Limited ("Quotient").

Highlights:

- Proposed Acquisition of Quotient Diagnostics Limited
- Initial consideration of £3.41m, satisfied by the issue of 15,507,153 EKF shares, at 22p per share, plus repayment of loan notes to the value of £273,191
- Deferred consideration of up to £2m payable in cash, dependent on sales performance
- Quo-Test and Quo-Lab systems, with HbA1c testing, are a key addition to a growing portfolio of Point of Care diabetes products
- Quotient has a complementary distribution network addressing those countries in Western Europe and China not widely accessed by EKF
- Complementary manufacturing and technical expertise to EKF Diagnostics
- This second acquisition demonstrates management's ability to execute its buy and build strategy
- Acquisition expected to become unconditional on or around 4 October 2010

Introduction

Quotient shareholders representing 73.5 per cent. of its issued share capital ("Sellers") have signed irrevocable undertakings to sell their shareholdings in Quotient to the Company. It is intended that the Sellers will sign a legally binding sale and purchase agreement ("SPA") on or around 30 September 2010. The Sellers are able to invoke the drag along provisions in the articles of association of Quotient to allow EKF to compulsorily acquire the remaining 26.5 per cent. of the issued shares of Quotient. Completion of the SPA will be conditional on the entire issued share capital of Quotient being transferred to the Company, which is expected to take place on or around 4 October 2010.

By signing the SPA, the Company will agree to acquire the entire issued share capital of Quotient for an initial consideration of £3.41 million, to be satisfied by the issue of 15,507,153 new ordinary shares in EKF ("New Ordinary Shares"), at a price of 22p per share. Deferred consideration of up to £2 million is payable, in cash, dependent on the number of Quo-Test and Quo-Lab test systems placed or sold, further details of which are set out below.

The Board believes that as EKF's presence in the diabetes testing space develops, it is important that it has a platform in HbA1c testing that is easy to use, has IP, can be manufactured at a competitive price and be sold in both the major diabetes markets (Western Europe and the US) as well as the emerging markets (China). Quotient has such an HbA1c platform and the Board believes that its Quo-Test and Quo-Lab test systems fulfil this requirement.

Information on Quotient

Quotient, formed in 2003 and based in Walton-on Thames, Surrey, has the worldwide rights (acquired from St Bartholomew's Hospital in London) to a patented fluorescent quenching technique for the measurement of glycated haemoglobin, that allows for a substantially simple and cheap diagnostic test for monitoring the treatment of diabetes. The original patent lasts until 2015 and further patents on methodology were filed in 2007.

Glycated haemoglobin is the fraction of the blood stream which has sugar attached to it. This measurement yields far more accurate data on the patient's condition over time than simple blood glucose metering as it measures the average glucose levels over the previous 3-month period.

The system developed by Quotient, called Quo-Test, comprises a low cost solid-state optoelectronic instrument and a low cost disposable cartridge containing the reagent. It can deliver the A1c test result quickly from a small finger prick. The Quo-Test works by measuring the change in fluorescence emission of a specific reagent when it is linked to the glycated haemoglobin in a small sample of blood. A second optical measurement is then used to normalise haemoglobin concentration and sample volume. Quo-Test is a platform which can be used for other point of care tests.

Quotient sells the Quo-Test machine, the cartridges and additional accessories such as bags and printers through a number of distributors. The Quo-Test system was fully launched in February 2009, it is CE marked and approved for sale in Europe and the many countries elsewhere which follow the CE model and to date over 400 devices have been sold.

Quotient has also developed Quo-Lab, a similar product but one which uses simpler cartridges that can be assembled by the end-user, meaning that this machine and cartridges are cheaper and thus more appealing to the developing world.

The audited results for Quotient for the year ended 31 March 2010, recorded revenue of £354,000, and losses of £812,000.

Details of the Deferred Consideration

In addition to the initial consideration, deferred consideration of up to £2 million is payable, to be satisfied in cash, and calculated as follows:

- £200 for every Quo-Test system placed or sold; and
- £250 for every Quo-Lab system placed or sold.

The number of systems placed or sold (and the amount of deferred consideration payable) will be calculated after 30 months and again after 42 months. The maximum aggregate amount of deferred consideration paid will not exceed £2 million and any claims under the warranties and indemnities contained in the SPA will first be satisfied out of any payments due under the deferred consideration.

Related Party Transaction

The acquisition of Quotient will be a related party transaction under the AIM Rules as David Evans and Julian Baines, both directors of EKF, were also directors of Quotient within the last 12 months. In addition, David Evans has an interest in loan notes which will convert into 21,617 Quotient shares immediately prior to the acquisition by EKF. Both David Evans and Julian Baines are no longer directors of Quotient having resigned on 15 June 2010 and 25 March 2010 respectively and have not participated in negotiations regarding the acquisition of Quotient, which has been undertaken by an independent committee of the EKF Board. Under the AIM Rules, when a company enters into a related party transaction the independent directors to the transaction, after consultation with the Company's NOMAD, must consider whether the transaction is fair and reasonable insofar as the shareholders are concerned. The Directors, other than David Evans and Julian Baines, consider (after consultation with Zeus Capital, the Company's NOMAD, who have taken into account the commercial assessment of the independent directors) that the terms of the transaction are fair and reasonable insofar as the shareholders are concerned.

Timetable

Quotient shareholders representing 73.5 per cent. of its issued share capital have signed irrevocable undertakings to sell their shareholdings in Quotient to the Company. It is intended such shareholders will sign the SPA on or around 30 September 2010, at which point a further announcement will be made. Such shareholders will be able to invoke the drag along provisions in the articles of association of Quotient to allow EKF to compulsorily acquire the remaining 26.5 per cent. of the issued shares of Quotient. The Board expects that the acquisition of Quotient will become unconditional in all respects on or around 4 October 2010, at which point a further announcement will be made.

Application will be made for the New Ordinary Shares to be admitted to AIM and dealings are expected to commence on 4 October 2010 ("Admission"). Some of the Quotient directors, who hold in aggregate 2,477,114 New Ordinary Shares have agreed not to sell (a) any of their shares for a period of 12 months from the date of completion of the acquisition ("Completion"); and (b) 75 per cent. in number of their shares for the period commencing the day after the first anniversary of Completion up to the second anniversary of Completion. Such directors have also agreed to a soft lock-in for 25 per cent. in number of their shares for the period commencing the day after the first anniversary of Completion up to the second anniversary of Completion. All other Quotient shareholders who individually hold more than one per cent. of its issued shares have agreed to a 12 month soft lock - in.

Julian Baines, EKF's CEO, commented:

"*The acquisition of Quotient is a great opportunity for EKF to expand its diabetes portfolio. The importance of HbA1c testing for diabetics is well documented and is one of the fastest growing areas of Point of Care. The acquisition will also enable EKF to have a stronger presence in China and Quo-Test will immediately be introduced into EKF's worldwide distribution base. Placing Quo-Test alongside our existing Biosen and Hemocontrol products is the first stage of building a portfolio of Point of Care products that cover both emerging markets and established markets. This is without doubt a very exciting opportunity for EKF and, as our second acquisition, it demonstrates that we are delivering on our strategy of building a leading diagnostics business through both acquisition and organic growth*."

Enquiries:

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