RNS Number : 0554P
EKF Diagnostics Holdings PLC
28 September 2011

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

Interim Results

EKF Diagnostics Holdings plc (AIM: EKF), the point-of-care diagnostics business, announces its unaudited interim results for the 6 month period ended 30 June 2011, a period of transition, investment and progression.

Given the acquisitions completed in the last 12 months the year-on-year comparisons given in the highlights below show 2011 actual figures versus pro-forma figures for 2010 based on a like-for-like comparison for the first six months of the year.

Financial Highlights

- Revenues up 23% to £7.38m (H1'10: £6.01m)
- Gross margins improved to 64% from 58% - but still impacted by strategy of placing Quo-Test at cost
- Operating loss of £1.49m (H1'10: loss of £0.66m) - reflecting investment in infrastructure and increased overhead
- Adjusted EBITDA of £210k (H1'10: loss of £51k)
- Cash at 30 June 2011 of £5.52m

Operational Highlights

- Acquisition of Stanbio for an overall consideration of c. £16m
- Agreement signed with Alere for distribution of CLIA waived Hemo_Control device and cuvettes
- SFDA approval for Quo-Test in China
- Cumulative placement of 1,000 Quo-Test instruments by September
- Development of Quo-Lab for Medica launch in November with first shipments expected in Q1'12
- Successful development of Argutus kidney markers onto POC platform
- Richard Evans appointed as full-time Finance Director

Post-period end

- Richard Evans appointed as Finance Director as of 28 September 2011 (see separate RNS)
- 1,000th Quo-Test instrument expected to be placed by end of September 2011
- Quo-Lab to be launched at Medica (Nov 2011); first shipments expected Q1 2012

Commenting on Outlook, David Evans, Executive Chairman of EKF, said:

"Trading continues to be in line with management expectations. We remain confident with regard to our future growth which will continue both organically and via acquisition."

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CHAIRMAN'S STATEMENT

Dear Fellow Shareholder

I have pleasure in reporting to you on the results of your Company for the six months ended 30 June 2011.

The period under review has been one of transition, investment and progression.

Transition

We have been seeking to make the transition to a fully-fledged and integrated in-vitro diagnostic company from the initial foundation provided by our first acquisition EKF GmbH last year and the subsequent acquisitions of Quotient Diagnostics, Argutus Medical and StanBio. This has involved moving from an essentially owner-managed structure and culture to one that is more reflective of the demands of a higher-growth/higher governance led environment.

This transitional process is on-going as we seek to empower people across the Group and install common and appropriate management and reporting systems across seven different site locations.

As part of the aforementioned transition I have pleasure in announcing the appointment of Richard Evans as full-time Finance Director, he will replace Paul Foulger who has been fulfilling the role on a part-time basis. Paul will continue with the Company as Company Secretary.

Investment

To achieve the transition across the Group we have sought to make the necessary investment to ensure that we can deliver on the demands being placed on the organisation both from an internal and external perspective.

In part, the investment being made has been a necessity to do what should have been done in previous regimen and, again, perhaps reflective of an owner-managed culture. This has been particularly so in Barleben, Germany. This investment has been in both personnel and infrastructure.

The greater part of the investment has been to capitalise upon both current and future growth opportunities for Hemo_Control and Quo-Test.

In May 2011 we opened a new manufacturing plant in Poland in order to cope with increased demand for Hemo_Control cuvettes.

Although completed after June, during the period we have invested approximately £350,000 in the Quotient facility which was necessary from both an existing quality manufacturing viewpoint but also from the increased levels of demand as the Group adopted a more aggressive approach to instrument placement.

Overall employee numbers have increased from 159 at the start of the year to 200 by 30 June (excluding any via the acquisition of Stanbio).

Finally in June we acquired Stanbio for an overall consideration of approximately £16 million. This is a strategically important acquisition for the Group and helps take us to the next level and gives us a foothold in the Americas.

Progression

The Company has progressed across a number of fronts in the period and post-period end;

- Signing of the contract for Hemo_Control with Alere.
- SFDA (China) registration of Quo-Test.

- The cumulative placement of 1,000 Quo-Test instruments expected by September with growth of analysers and consumables sales expected to continue in the year.
- The continued development of Quo-Lab which will have its marketing launch at Medica in November with first shipments expected in Q1 2012.
- The development of the kidney markers from Argutus on to a Point of Care platform.
- The development of a combination test for HbA1c and glucose on a modified Biosen instrument, combining an innovative new test with the quality of tried and tested technology platform.

Financials

The financial statements are set out in the accompanying pages.

In order to allow you to make sense of the published numbers I have set out below the comparison of actual versus a pro-forma based on a like-for-like comparison for the first six months of the year broken down by company entity.

For the purposes of the analysis Stanbio's results for the period to 30 June only reflect 14 days of trading from the date of acquisition.

Revenue	**2011**	**Pro-forma 2010**
	£'000	**£'000**
EKF Germany	5,915	5,005
Quotient	470	201
Argutus	537	393
Stanbio	458	411
Total	**7,380**	**6,010**

Overall Revenue has increased by £1,370,000, an increase of 23% reflecting growth across all the key units and in particularly EKF Germany where the results have been skewed by the nature of the tender business won during the period. We have adopted a more aggressive approach to instrument placement in Quotient and we expect to continue with this tactic going forward.

Gross margins	**2011**	**Pro-forma 2010**
	%	**%**
EKF Germany	67	59
Quotient	36	44
Argutus	63	50
Stanbio	54	55
Group	**64**	**58**

Overall Gross Margin percentages have increased from 58% to 64% resulting in an overall increase in gross margin to £4,717,000 from £3,486,000. This change primarily reflects a combination of product mix and cost allocations. The decision to place Quo-Test out at cost has and will continue to impact margins in Quotient for some time as we continue to expand our HbA1C franchise in the new economies of Asia.

Adjusted EBITDA	**2011**	**Pro-forma 2010**
	£'000	**£'000**
EKF Germany	1,382	758
Quotient	(478)	(438)
Argutus	(127)	(205)
Stanbio	41	53
Head office	(608)	(219)
Group	**210**	**(51)**

Exceptional costs	**2011**	**2010**
	£'000	**£'000**
Group	**(320)**	**(255)**

Operating results	**2011**	**Pro-forma 2010**
	£'000	**£'000**
EKF Germany	1,005	282
Quotient	(518)	(451)
Argutus	(153)	(223)
Stanbio	33	44
Head office	(1,857)	(313)
Group	**(1,490)**	**(661)**

Notes

- *EKF Germany includes Polish and Russian subsidiaries and Senslab.*
- *Head office includes amortisation of intangibles on consolidation.*

The Group has made an overall operating loss for the six months of £1,490,000 reflecting both the investment being made across the Group in terms of infrastructure and the overall increased overhead burden as we move the various businesses from an owner-managed structure to one that is more compliant with the demands of being a larger organisation. Within Head Office expenses is included £361,000 (2010: £30,000) of share based payments, £320,000 of costs incurred in relation to the acquisition of Stanbio which now are required to be taken through the Income Statement, the 2010 equivalent was £64,000 in relation to the then proposed acquisition of EKF. There were also £568,000 (2010 £nil) of Amortisation costs included within the Head

Office total.

Overall Finance costs were £62,000 net compared with an income in the prior period of £11,000.

Tax credit for the period was £34,000 compared with a nil tax charge in the prior period.

Finally £108,000 of costs were incurred in this period relating to discontinued operations resulting in an overall loss for the period of £1,626,000 (2010: £675,000 loss).

Balance Sheet

During the period the Group invested £352,000 on Development Costs and £1,021,000 on Plant, Machinery and Equipment. The Development costs don't include Research costs as these will not meet the requirement to be capitalised as an intangible cost.

The Group Cash at 30 June 2011 amounted to £5,515,000 which is sufficient to maintain our continued programme of investment for the foreseeable future.

The Group raised £12,403,750 (net of expenses) through an issue of new shares . Part of the funding was used for acquisition of Stanbio and the rest will be utilised to support the Group's operations and on-going programme of investment. A further £370,250 was received through the exercise of certain share options.

Outlook

Trading continues to be in line with management expectations, with cumulative revenues to the end of August 2011 of circa. £11.4m. As of the end of August 2011, the installed base of analysers was approximately 41,000, of which c.50% were Hemo_Control units.

As we move forward I look forward to being able to update you on;

- Progression of the submission to the FDA for Quo-Test.
- Launch of Quo-Lab.
- Progress with Alere regarding the distribution of Hemo_Control.
- The status of discussions with Hemocue regarding outstanding patent matters relating to the old version of Hemo_Control cuvette.
- The output of any clinical trials in relation to our kidney markers.

We remain confident with regard to our future growth which will continue both organically and via acquisition. Whilst our primary focus remains in diabetes, in its widest context from measurement to management including education, we continue to look for novel markers in areas of unmet clinical need where carrying out the test in a near-patient environment will make a difference to both the patient and the clinician.

Finally, I would like to thank all EKF Group employees for their dedicated application during a period of continued change.

David Evans
Chairman

CONSOLIDATED INCOME STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2011

	Notes	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Continuing operations				
Revenue	**3**	**7,380**	-	6,483
Cost of sales		**(2,663)**	-	(2,775)
Gross profit		**4,717**	-	3,708
Administrative expenses		**(6,319)**	(313)	(6,068)
Other income		**112**	-	430
Operating loss		**(1,490)**	(313)	(1,930)
Depreciation and amortisation		**(1,019)**	(11)	(815)
Share based payments		**(361)**	(30)	(152)
Exceptional items	**4**	**(320)**	(64)	(1,919)
EBITDA before exceptional items and share based payment		**210**	(208)	956
Finance income		**9**	11	28
Finance costs		**(71)**	-	(187)
Loss before income tax		**(1,552)**	(302)	(2,089)
Income tax	**5**	**34**	-	49
Loss for the period from continued operations		**(1,518)**	(302)	(2,040)
Discontinued operations				
Loss for the year from discontinued operations		**(108)**	(373)	(1,372)
Loss for the period		**(1,626)**	(675)	(3,412)
Loss attributable to:				
Owners of the parent		**(1,658)**	(675)	(3,435)
Non-controlling interest		**32**	-	23
		(1,626)	(675)	(3,412)

Loss per ordinary share from continuing and discontinued operations attributable to the equity holders of the company during the period	**6**	**Pence**	**Pence**	**Pence**
From continuing operations				
Basic and diluted		**(0.89)**	(0.72)	(2.11)
From discontinued operations				
Basic and diluted		**(0.06)**	(0.89)	(1.40)
Continued and discontinued operations				
Basic and diluted		**(0.95)**	(1.61)	(3.51)

CONSOLIDATED STATEMENT OF COMPREHENSIVE
FOR THE 6 MONTHS ENDED 30 JUNE 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
	£'000	**£'000**	**£'000**
Loss for the period	**(1,626)**	(675)	(3,412)
Other comprehensive income:			
Actuarial loss on pension scheme	**(5)**	-	(11)
Fair value adjustment in respect of available for sale assets	**-**	-	(6)
Currency translation differences	**752**	28	705
Other comprehensive income for the period	**747**	28	688
Total comprehensive loss for the year	**(879)**	(647)	(2,724)
Attributable to:			
Owners of the parent	**(911)**	(647)	(2,747)
Non-controlling interests	**32**	-	23
	(879)	(647)	(2,724)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	Unaudited as at 30 June 2011 £'000	Unaudited as at 30 June 2010 £'000	Audited as at 31 December 2010 £'000
Assets				
Non-current assets				
Property, plant and equipment		**10,577**	-	5,467
Intangibles	**7**	**34,207**	1,276	20,260
Deferred tax assets		**216**	94	217
Available-for-sale financial assets		**135**	325	135
Total non-current assets		**45,135**	1,695	26,079
Current Assets				
Inventories		**5,517**	-	2,983
Trade and other receivables		**4,482**	2,275	3,625
Available for sale financial assets		**110**	468	100
Cash and cash equivalents		**5,515**	2,580	3,192
Total current assets		**15,624**	5,323	9,900
Total assets		**60,759**	7,018	35,979
Equity attributable to owners				
Ordinary shares		**2,350**	420	1,681
Share premium account		**35,118**	4,077	23,013
Other reserve		**244**	244	244
Foreign currency reserves		**2,705**	1,293	1,972
Retained Earnings		**(4,988)**	(1,046)	(3,686)
		35,429	4,988	23,224
Non-controlling interest		**311**	-	305
Total equity		**35,740**	4,988	23,529
Liabilities				
Non-current liabilities				
Borrowings		**2,201**	-	309
Deferred consideration		**11,610**	120	4,168
Deferred tax liability		**5,402**	-	2,916
Retirement benefit obligation		**98**	-	88
Total non-current liabilities		**19,311**	120	7,481
Current Liabilities				
Trade and other payables		**4,516**	1,756	3,969
Current income tax liabilities		**146**	154	210
Borrowings		**477**	-	229
Provisions for other liabilities and charges		**569**	-	561
Total current liabilities		**5,708**		4,969
			1,910	
Total liabilities		**25,019**	2,030	12,450
Total equity and liabilities		**60,759**	7,018	35,979

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 JUNE 2011

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year to 31 December 2010 £'000
Cash flow from operating activities			
Loss before income tax	**(1,552)**	(302)	(2,089)

Adjustments for			
- Discontinued activities	**(108)**	(373)	(1,372)
- Depreciation	**387**	-	365
- Amortisation and impairment charges	**632**	11	804
- Share-based payments	**361**	30	152
- Loss on disposal of intangible asset	**-**	248	414
- Foreign exchange loss/(gains) on operating activities	**154**	(22)	(155)
- Net finance costs/(income)	**62**	(11)	159
Changes in working capital			
- Inventories	**(729)**	-	80
- Trade and other receivables	**(697)**	(1,567)	5,775
- Trade and other payables	**(351)**	1,193	(5,143)
Cash used in operations	**(1,841)**	(793)	(1,010)
Interest paid	**(30)**	-	(167)
Income tax paid	**(194)**	(1)	(232)
Net cash used in operating activities	**(2,065)**	(794)	(1,409)
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	**(8,690)**	-	(8,463)
Purchase of property, plant and equipment (PPE)	**(811)**	-	(2,474)
Purchase of intangibles	**(352)**	-	(4)
Proceeds from sale of PPE	**-**	-	3
Proceeds from sale of intangible assets	**1,220**	520	562
Purchase of available-for-sale financial assets	**-**	(194)	-
Interest received	**9**	11	28
Net cash (used in)/generated by investing activities	**(8,624)**	337	(10,348)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	**12,774**	-	14,498
New borrowings	**452**	-	-
Repayment of borrowings	**(214)**	-	(2,616)
Dividends paid to non-controlling interests	**(45)**	-	-
Net cash generated by financing activities	**12,967**	-	11,882
Net increase/(decrease) in cash and cash equivalents	**2,278**	(457)	125
Cash and cash equivalents at beginning of period	**3,192**	3,037	3,037
Exchange gains on cash and cash equivalents	**45**	-	30
Cash and cash equivalents at end of period	**5,515**	2,580	3,192

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2011

	Share Capital £'000	Share Premium £'000	Other Reserve £'000	Foreign Currency Reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2010	**420**	**4,077**	**244**	**1,265**	**(386)**	**5,620**	**-**	**5,620**
Comprehensive income								
Loss for the period	-	-	-	-	(675)	**(675)**	**-**	**(675)**
Other comprehensive income								
Exchange Difference	-	-	-	28	-	**28**	**-**	**28**
Transactions with owners								
Share based payment	-	-	-	-	15	**15**	**-**	**15**
At 30 June 2010	**420**	**4,077**	**244**	**1,293**	**(1,046)**	**4,988**	**-**	**4,988**
Comprehensive income								
Loss for the period	-	-	-	-	(2,760)	**(2,760)**	23	**(2,737)**
Other comprehensive income								
Actuarial loss on pension	-	-	-	-	(11)	**(11)**	-	**(11)**
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	-	(6)	**(6)**	-	**(6)**
Currency translation differences	-	-	-	679	-	**679**	(2)	**677**
Transactions with owners								
Proceeds from shares issued	1,261	18,936	-	-	-	**20,197**	-	**20,197**
Share based payment	-	-	-	-	137	**137**		**137**
Non-controlling interests arising on business combinations	-	-	-	-	-	**-**	284	**284**
At 1 January 2011	**1,681**	**23,013**	**244**	**1,972**	**(3,686)**	**23,224**	**305**	**23,529**
Comprehensive income								
Loss for the period	-	-	-	-	(1,658)	**(1,658)**	32	**(1,626)**
Other comprehensive income								
Actuarial loss on pension	-	-	-	-	(5)	**(5)**	-	**(5)**
Currency translation differences	-	-	-	733	-	**733**	19	**752**
Transactions with owners								
Proceeds from shares issued	669	12,105	-	-	-	**12,774**	-	**12,774**
Share based payment	-	-	-	-	361	**361**	-	**361**
Dividends payment to minority	-	-	-	-	-	**-**	(45)	**(45)**
At 30 June 2011	**2,350**	**35,118**	**244**	**2,705**	**(4,988)**	**35,505**	**311**	**35,740**

NOTES FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

1. General Information

EKF Diagnostics Holdings plc is a public limited company incorporated in the United Kingdom (Registration Number 04347937). The address of the registered office is 14 Kinnerton Place South, London SW1X 8EH.

The Group's principal activity focuses within the In-Vitro Diagnostics devices ("IVD") market place.

The financial information in these interim results is that of the holding company and all of its subsidiaries. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2010 and which will form the basis of the 2011 financial statements except for a number of new and amended standards which have become effective since the beginning of the previous financial year. These new and amended standards are not expected to materially affect the Group.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the auditors. The financial information in respect of the year ended 31 December 2010 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the half years ended 30 June 2011 and 30 June 2010 is unaudited and the twelve months to 31 December 2010 is audited.

2. Significant accounting policies

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 and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses 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 licenses over their estimated useful lives of between 8 to 12 years and is charged to administrative expenses in the income statement.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of between 6 to 12 years and is charged to administrative expenses in the income statement.

(d) Trade secrets
Trade secrets, includes technical knowhow, 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 7 to 16 years and is charged to administrative expenses in the income statement.

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

Development costs are amortised over the estimated useful life of the products with which they are associated. 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.

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.

Provisions
Provision for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of 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. Restructuring provisions are recognised where the restructuring has been announced prior to the end of the reporting period. Restructuring costs include the costs of redundancy, outplacement fees and relocation where appropriate.

Provision is made for product warranty claims to the extent that the Group has a current obligation under warranties given. Warranty accruals are based on historic warranty claims experience. Provisions are discounted to their present value where the impact is significant.

Employee benefits

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees 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.

Revenue recognition

(a) Sale of goods and services

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 and services net of sales taxes, rebates and discounts. Revenue from the sale of goods is recognised when a Group Company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) 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.

Exceptional items

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

3. Segmental reporting

The segment information provided to the Board for the reportable segments is as follows:

Period ended 30 June 2011unaudited

	Germany	UK	USA	Ireland	Poland	Russia	Switzerland (Discontinued)	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Income statement									
Revenue	9,619	470	458	537	490	1,196	-	-	12,770
Inter segment	(5,390)	-	-	-	-	-	-		(5,390)
External revenue	4,229	470	458	537	490	1,196	-	-	7,380
EBITDA	**1,180**	**(478)**	**41**	**(127)**	**99**	**102**	**-**	**(1,288)**	**(471)**
Depreciation	(306)	(45)	(8)	(24)	(2)	(2)	-	-	(387)
Amortisation	(320)	(95)	(19)	(107)	(67)	(24)	-	-	(632)
Operating profit/(loss)	**554**	**(618)**	**14**	**(258)**	**30**	**76**	**-**	**(1,288)**	**(1,490)**
Net finance costs	(73)	-	(3)	1	-	-	-	13	(62)
Income tax	14	24	(7)	27	(11)	(13)	-	-	34
Discontinued operations	-	-	-	-	-	-	(108)	-	(108)
Retained profit/(loss)	**495**	**(594)**	**4**	**(230)**	**19**	**63**	**(108)**	**(1,275)**	**(1,626)**
Segment assets									
Operating assets	20,813	6,780	20,924	2,888	1,621	1,298	1,897	19,661	75,882
Inter segment assets	(1,252)	-	-	-	-	-	(1,661)	(17,725)	(20,638)
External operating assets	19,561	6,780	20,924	2,888	1,621	1,298	236	1,936	55,244
Cash	309	182	190	209	15	172	76	4,362	5,515
Total assets	**19,870**	**6,962**	**21,114**	**3,097**	**1,636**	**1,470**	**312**	**6,298**	**60,759**
Segment liabilities									
Operating liabilities	14,739	2,609	22,763	1,003	422	321	269	6,209	48,335
Inter segment liabilities	(7,969)	(1,769)	(8,696)	(372)	(171)	-	-	(1,661)	(20,638)
External operating liabilities	6,770	840	14,067	631	251	321	269	4,548	27,697
Borrowings	(1,025)	-	(1,653)	-	-	-	-	-	(2,678)
Total liabilities	**5,745**	**840**	**12,414**	**631**	**251**	**321**	**269**	**4,548**	**25,019**
Other segmental information									
Non current assets - PPE	3,771	547	4,331	120	113	4	-	1,691	10,577
Non current assets - Intangibles	11,106	5,681	13,543	2,291	1,061	525	-	-	34,207

Year ended December 2010 audited

	Germany	UK	Ireland	Poland	Russia	Switzerland (Discontinued)	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income statement								
Revenue	10,092	185	50	486	1,478	-	-	12,291
Inter segment	(5,808)	-	-	-	-	-	-	(5,808)
External revenue	4,284	185	50	486	1,478	-	-	6,483
EBITDA	**1,044**	**(91)**	**(37)**	**151**	**18**	**-**	**(2,200)**	**(1,115)**
Depreciation	(342)	(11)	(3)	(6)	(3)	-	-	(365)
Amortisation	(304)	(44)	(15)	(64)	(23)	-	-	(450)
Operating profit/(loss)	**398**	**(146)**	**(55)**	**81**	**(8)**	**-**	**(2,200)**	**(1,930)**
Net finance costs	(247)	-	-	-	-	-	88	(159)
Income tax	(17)	12	77	(11)	(12)	-	-	49
Discontinued operations	-	-	-	-	-	(1,372)	-	(1,372)
Retained profit/(loss)	**134**	**(134)**	**22**	**70**	**(20)**	**(1,372)**	**(2,112)**	**(3,412)**
Segment assets								
Operating assets	21,551	6,075	2,183	1,284	688	1,534	9,100	42,415
Inter segment assets	(1,090)	-	-	-	-	(1,344)	(7,194)	(9,628)
External operating assets	20,461	6,075	2,183	1,284	688	190	1,906	32,787
Cash	811	76	202	13	203	112	1,775	3,192
Total assets	**21,272**	**6,151**	**2,385**	**1,297**	**891**	**302**	**3,681**	**35,979**
Segment liabilities								
Operating liabilities	12,702	1,438	517	304	178	14	6,387	21,540
Inter segment liabilities	(7,473)	(775)	-	(35)	-	464	(1,809)	(9,628)

External operating liabilities	5,229	663	517	269	178	478	4,578	11,912
Borrowings	538	-	-	-	-	-	-	538
Total liabilities	**5,767**	**663**	**517**	**269**	**178**	**478**	**4,578**	**12,450**
Other segmental information								
Non current assets - PPE	3,378	243	112	56	8	-	1,670	5,467
Non current assets - Intangibles	11,006	5,573	2,111	1,022	548	-	-	20,260

Period ended June 2010 unaudited

	Switzerland (Discontinued) £'000	Other £'000	Total £'000
Income statement			
Revenue	-	-	-
Inter segment	-	-	-
External revenue	-	-	-
EBITDA	**-**	**(313)**	**(313)**
Depreciation	-	-	-
Amortisation	-	-	-
Operating loss	**-**	**(313)**	**(313)**
Net finance costs	-	11	11
Discontinued operations	(373)	-	(373)
Retained loss	**(373)**	**(302)**	**(675)**
Segment assets			
Operating assets	2,485	2,036	4,521
Inter segment assets	(83)	-	(83)
External operating assets	2,402	2,036	4,438
Cash	95	2,485	2,580
Total assets	**2,497**	**4,521**	**7,018**
Segment liabilities			
Operating liabilities	785	1,208	1,993
Inter segment liabilities	-	(83)	(83)
External operating liabilities	785	1,125	1,910
Borrowings	-	-	-
Total liabilities	**785**	**1,125**	**1,910**
Other segmental information			
Non current assets - intangibles	1,276	-	1,276

Other primarily relates to the Holding company.

Disclosure of Group revenues by geographic location

	Unaudited 6 months ended 30 June 2011 £000	Unaudited 6 months ended 30 June 2010 £000	Audited Year ended 31 December 2010 £000
Americas			
United States of America	1,229	-	888
Rest of Americas	129	-	1,028
Europe, Middles East and Africa (EMEA)			
Germany	993	-	975
United Kingdom	25	-	45

Rest of Europe	1,863	-	1,016
Russia	1,478	-	1,528
Middle East	225	-	208
Africa	554	-	189
Rest of World			
China	579	-	355
Rest of Asia	293	-	224
New Zealand/Australia	12	-	27
	7,380	-	6,483

4. Exceptional items

Included within administration expenses and cost of sale are exceptional items as shown below:

	Unaudited 6 months ended 30 June 2011	**Unaudited 6 months ended 30 June 2010**	**Audited Year ended 31 December 2010**
	£000	**£000**	**£000**
Exceptional items includes:			
- Transaction costs relating to business combinations (note a)	320	64	1,582
- Loss on stock (note b)	-	-	337
Exceptional items - continuing	320	64	1,919
Exceptional items - discontinued (note c)	-	259	354

(a) Transaction costs relating to business combinations - included within administrative expenses

(b) Loss on stock - included within cost of sales

Under the requirements of IFRS 3 'Business combinations' the value of inventory acquired with the acquisitions was uplifted to its sales value less cost to sell. The post-acquisition impact of selling the acquired inventory at its uplifted sales value has been to reduce gross profit.

(c) Discontinued exceptional items relate to an impairment charged in 2010 and a profit on sale of intangibles in 2009.

5. Income tax credit

	Unaudited 6 months ended 30 June 2011	**Unaudited 6 months ended 30 June 2010**	**Audited Year ended 31 December 2010**
	£000	**£000**	**£000**
Current tax			
Current tax on loss for the period	130	-	132
Deferred tax			
Origination and reversal of temporary differences	(164)	-	(181)
	(34)	-	(49)

6. Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited 6 months ended 30 June 2011	**Unaudited 6 months ended 30 June 2010**	**Audited year ended 31 December 2010**
	£'000	**£'000**	**£'000**
Loss attributable to equity holders of the company	(1,658)	(675)	(3,435)
Loss from continuing operations attributable to equity holders of the company	(1,550)	(302)	(2,063)
Loss from discontinued operations attributable to equity holders of the company	(108)	(373)	(1,372)
Weighted average number ordinary shares in issue	174,055,862	41,991,653	97,800,087
Basic loss per share	(0.95)	(1.61)	(3.51)
Basic loss per share from continuing operations	(0.89)	(0.72)	(2.11)
Basic loss per share from discontinued operations	(0.06)	(0.89)	(1.40)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary share: equity based long term incentive plans, equity based bonus incentive plans and share options. There is no dilutive effect of these potential ordinary shares.

7. Intangible Fixed Assets

Group	**Goodwill £'000**	**Trademarks, trade names & licences £'000**	**Customer relationships £'000**	**Trade secrets £'000**	**Development costs £'000**	**Total £'000**
Cost						
At 1 January 2010	-	1,949	-	-	-	1,949
Transfer to current assets	-	-	-	-	-	-
Exchange differences	-	47	-	-	-	47
Disposals	-	(709)	-	-	-	(709)
Impairment	-	(11)	-	-	-	(11)
At 30 June 2010	**-**	**1,276**	**-**	**-**	**-**	**1,276**
Transfer to current assets	-	(100)	-	-	-	(100)
Acquisition of subsidiaries	8,967	384	1,740	9,100	-	20,191
Acquired with subsidiaries	-	13	-	-	-	13
Exchange differences	119	198	99	271	-	687
Disposals	-	(1,014)	-	-	-	(1,014)
Impairment	-	(343)	-	-	-	(343)
At 31 December 2010	**9,086**	**414**	**1,839**	**9,371**	**-**	**20,710**
Acquisition of subsidiaries	4,643	1,119	6,963	602	236	13,563
Additions	-	-	-	-	352	352

Exchange differences	253	28	89	319	-	689
At 30 June 2011	**13,982**	**1,561**	**8,891**	**10,292**	**588**	**35,314**
Amortisation						
At 1 January 2010	-	-	-	-	-	-
Charge for the period	-	-	-	-	-	-
At 30 June 2010	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the year	-	24	114	312	-	450
At 31 December 2010	**-**	**24**	**114**	**312**	**-**	**450**
Exchange differences	-	7	6	12	-	25
Charge for the year	-	23	142	448	19	632
At 30 June 2011	**-**	**54**	**262**	**772**	**19**	**1,107**
Net book value						
30 June 2011	**13,982**	**1,507**	**8,629**	**9,520**	**569**	**34,207**
31 December 2010	**9,086**	**390**	**1,725**	**9,059**	**-**	**20,260**
30 June 2010	**-**	**1,276**	**-**	**-**	**-**	**1,276**

Business Combinations

Acquisition of Stanbio LLP

On 16 June 2011, the Group acquired 100% of the share capital of Stanbio LLP, a Group focused on the design, development, manufacture and sale of diagnostic instruments, reagents and ancillary products.

The goodwill of £4,643,000 arising from the acquisition is attributable to the expected future profitability of the acquired business and synergies expected to arrive from the incorporation of the business within the Group.

None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the provisional fair values of the consideration paid for Stanbio LLP and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Provisional fair values
	£'000
Consideration at 16 June 2011	
Cash	8,696
Equity instruments (16,189,675 ordinary shares are being held in escrow with one third being released on each of the first, second, and third anniversary of completion.)	3,416
Deferred consideration	3,985
Total consideration	**16,097**
Acquisition-related costs	**320**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	6
Property, plant and equipment	4,339
Trade names - included in intangibles	1,119
Customer relations - included in intangibles	6,963
Trade secrets - included in intangibles	602
Development costs	236
Inventories	1,805

Trade and other receivables	1,380
Trade and other payables	(886)
Borrowings	(1,666)
Deferred tax liabilities	(2,444)
Total identifiable net assets	**11,454**
Goodwill	**4,643**

The fair value of the 16,189,675 ordinary shares to be held in escrow with one third being released on each of the first, second and third anniversary of the acquisition, as part of the consideration paid for Stanbio LLP was based on the published share price on 16 June 2011.

8. Dividends

There were no dividends provided or paid during the six months.

9. Share capital

On 9 February 2011 and 28 June 2011 650,000 and 1,250,000 share options were exercised at 18.5p and 20p respectively.

On 16 June 2011, £13 million before expenses was raised through the placing of 65,000,000 ordinary shares of 1p each in the Company at 20p per share.

10. Press

A copy of this announcement is available from the Company's website, being www.ekfdiagnostics.com. If you would like to receive a hard copy of the interim report please contact the EKF Diagnostics Holdings Plc offices on +44 (0) 29 2071 0570 to request a copy.