

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

**Half Yearly Report**

EKF Diagnostics Holdings plc (AIM: EKF), the AIM listed point-of-care business, announces its unaudited interim results for the six months ended 30 June 2018. Despite currency headwinds the Company announces earnings marginally ahead of management expectations and continued strong cash generation.

**Financial Highlights**

- Revenues in-line year-on-year on a constant currency basis at £21.20m (H1 2017: £21.50m)
  - *Reported revenues of £20.36m, impacted by exchange rates*
- Adjusted EBITDA\* up 7.0% to £4.90m (H1 2017: £4.58m)
- Net profit of £0.75m generated (H1 2017: Net loss £0.2m)
- Strong cash generation from operations of £4.35m (H1 2017: £5.00m)
- Significant capex investments incl. Elkhart enzyme facility of £0.71m and RenalytixAI of £0.33m
- Net cash £8.82m (30 June 2017: net cash of £4.44m) (31 December 2017: net cash of £7.00m)

\* Earnings before interest, tax, depreciation and amortisation adjusted for exceptional items and share based payments

**Operational Highlights (including post-period developments)**

- DiaSpect Tm has received FDA 510k CLIA clearance
- OEM contract with McKesson-Surgical Inc. with exclusive rights for distribution of DiaSpect Tm in all US markets except blood banks, driving further US sales growth following expected November 2018 product launch, with substantial revenue and EBITDA contribution expected from this contract in 2019 and onwards
- Significant investment in our Elkhart enzyme facility to increase capacity
- Development of Lactate Scout 4.0 for launch in H1 2019 for clinical care and obstetrics
- Multi-million dollar enzyme contract with Oragenics, Inc., expected to support further US revenue growth over next 2-3 years
- Exclusive US distribution contract with Asahi Kasei Pharma Corp for FDA-cleared Glycated Albumin products
- Quo-Test® submitted for FDA clearance
- Spin out of sTNFR technology through RenalytixAI proceeding, with intention to distribute EKF's residual interest to its shareholders by way of a dividend in specie, conditional inter alia on shareholder approval at a general meeting to be convened in due course

## **Commenting on EKF's outlook, Christopher Mills, Non-Executive Chairman of EKF, said:**

*"During the first half of 2018, the Group made significant headway in delivering the strategy mentioned at the time of the 2017 results. Despite currency headwinds and reduced revenues following the completion of the Saudi tender, the Group achieved earnings in H1 which were marginally ahead of management expectations. H2 has started well with organic revenue and EBITDA improving on the same period year-on-year.*

*"At the same time we undertook a number of actions to support the future performance of the business: delaying the launch of DiaSpect Tm in the US which allowed us to complete a significant distribution agreement with McKesson; substantial investment in enlarging our Elkhart facility ahead of revenue ramp-up from our Oragenics, Inc agreement; the development of Lactate Scout 4.0 for launch in H1 2019 for clinical care and obstetrics; signing a distribution agreement for Asahi Kasei Pharma's Glycated Albumin products; and investment in seeking FDA approval for the launch of Quo-Test next year. We believe that these actions, alongside new contracts recently signed and a strong order book, will lead to further progress over the final months of the current year and beyond."*

### **EKF Diagnostics Holdings plc**

Christopher Mills, Non-executive  
Chairman  
Julian Baines, CEO  
Richard Evans, FD & COO

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

**Tel: +44 (0) 29 2071 0570**

### **N+1 Singer**

Aubrey Powell / Lauren Kettle / George  
Tzimas (Corporate Finance)  
Tom Salvesen (Corporate Broking)

**Tel: 020 7496 3000**

### **Walbrook PR Limited**

Paul McManus / Lianne Cawthorne

**Tel: +44 (0) 20 7933 8780 or [ekf@walbrookpr.com](mailto:ekf@walbrookpr.com)**

**Mob: +44 (0) 7980 541 893 / +44 (0) 7584 391 303**

## **BUSINESS REVIEW**

EKF has had a successful first half of 2018, with earnings ahead of the comparative period in 2017 and marginally ahead of management expectations. We continued to demonstrate very strong cash generation even after significant investment in our Elkhart enzyme facility and RenalytixAI, which is currently undertaking further market soundings with institutional investors and other qualifying potential investors, ahead of a potential fundraising and admission of its shares to trading on AIM. Good progress has been made in achieving our aims for 2018.

### **Strategy and operations**

#### *Strategy*

We have completed the restructuring programme which started in 2016 and are now fully concentrated on growing the business organically. We have made excellent progress during the period on a number of fronts.

## *RenalytixAI*

We have formed both a UK and a US entity to form the proposed vehicle for the spin out of our sTNFR (solid tumour necrosis factor) product. Renalytix AI PLC ("RenalytixAI") has confirmed that it intends to talk to investors with the aim of moving towards an initial public offering. EKF is in the process of transferring its licence to certain sTNFR biomarkers to RenalytixAI which already has an exclusive license and collaboration agreement with the Icahn School of Medicine at Mount Sinai in New York, USA. It is anticipated that any equity funding for RenalytixAI would target gross proceeds of approximately £21 - 25 million). The boards of EKF and RenalytixAI currently anticipate a pre-money equity valuation in the range of £43 - 55 million for RenalytixAI. As detailed in the 31 August announcement, it has been confirmed that certain eligible existing EKF shareholders will be able to participate in a restricted offer of new RenalytixAI shares and, irrespective of whether EKF shareholders participate in the separate fundraising, they will in any event have an indirect economic interest in RenalytixAI through their shareholdings in EKF. The Company intends to distribute EKF's residual interest to its shareholders by way of a dividend in specie, conditional inter alia on shareholder approval at a general meeting to be convened in due course.

EKF shareholders should note that the proposed Fundraising process is at a preliminary stage and an initial public offering may or may not be completed by RenalytixAI and, if completed, the valuation achieved and the Fundraising amount may both vary from the ranges currently expected.

## *Operations*

### **Point-of-care**

#### ***i. Hematology***

Hematology sales are slightly lower than in H1 2017 as a result of adverse currency movements. Future prospects have been enhanced by the successful achievement of FDA approval and CLIA waiver for our DiaSpect Tm product, which allows us to sell this product in the USA. In turn this has led to the agreement of an OEM contract with McKesson-Surgical Inc. which gives them exclusive rights for the distribution of DiaSpect Tm in all markets in the United States with the exception of blood banks. McKesson is the largest distributor of hemoglobin products in the US. Whilst these developments resulted in a 6-month delay in the US launch of the DiaSpect Tm we now expect that this will significantly strengthen our position in North America and has the potential to add meaningfully to our sales over the medium term.

#### ***ii. Diabetes***

Following the ending of the contract in Saudi Arabia, diabetes revenues have reduced by 24.9%. To support our diabetes strategy in the US, we have announced an exclusive distribution contract in the US with Asahi Kasei Pharma Corp for their FDA cleared Glycated Albumin products.

### **Central Laboratory**

We have continued to see strong performance from sales of Beta-Hydroxybutyrate ( $\beta$ -HB) Liquicolor reagent, which are up 11% in GBP terms. Our project to increase capacity and significantly upgrade our main wet chemistry site in Elkhart, Indiana

will continue through the second half of the year, but has already borne fruit through the signing of an exclusive, multi-million dollar agreement with Oragenics, Inc., a Florida-based biopharmaceutical company, for the manufacturing of Oragenics' lantibiotic bulk drug substances in the United States. Under the collaboration agreement, EKF Diagnostics will manufacture compounds intended for preclinical and early stage clinical trials.

### **Regulatory Update**

As well as the successful FDA approval for DiaSpect Tm in the USA, we have submitted our Quo-Test analyser for FDA approval. We have received some feedback and are working to supply supporting information on our submission. In addition, we have received regulatory approval for  $\beta$ -HB in both Mexico and Colombia, as well as registration of DiaSpect Tm in India. We continue to work in our own right and with our partners to extend the span of our registrations.

### **Financial review**

#### **Revenue**

Revenue for the period was £20.36m (H1 2017: £21.50m), a decrease of 5.3%. If revenues had been converted at 2017 rates, they would have been £21.20m.

	<b>Unaudited 6 months ended 30 June 2018 £'000</b>	Unaudited 6 months ended 30 June 2017 £'000	<b>+/- %</b>
Hematology	<b>6,518</b>	6,664	<b>(2.2)%</b>
Diabetes	<b>4,431</b>	5,899	<b>(24.9)%</b>
Central Laboratory	<b>6,557</b>	6,579	<b>(0.3)%</b>
Other	<b>2,851</b>	2,356	<b>+21.0%</b>
<b>Total revenue</b>	<b>20,357</b>	21,498	<b>(5.3)%</b>

As well as benefitting from favourable exchange rates, the H1 2017 comparative revenues benefitted from the contribution of £1.1m of sales from the Saudi tender which was completed in the second half of last year.

Excluding these factors shows strong underlying organic growth in like-for-like revenues and we expect to see this pattern of revenue growth continue into the second half compared to H1 2018.

#### **Gross profit**

Gross profit is £10.99m (H1 2017: £11.84m). Gross profit as a percentage of revenue is 54% (H1 2017: 55%). The decrease in gross profit is partly the result of the adverse exchange rates. In addition, the positive effect of inventory provision releases, which have again been possible because of sales of inventory that had provisions recorded against it, is lower in 2018 than in 2017.

#### **Administrative expenses**

In H1 2018, administrative expenses are £9.10m including research and development (R & D) costs of £0.91m. In addition, further R & D costs of £0.19m have been capitalised. Overall R & D expenses are slightly higher than in H1 2017 as a result of additional expenditure on regulatory approvals. Administrative costs are lower in 2018 partly because of reduced one-off staff costs.

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

	Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017	Audited year ended December 2017
Non-exceptional administration expenditure before R & D capitalisation	8,288	9,718	18,951
Effect of share based payments	1,291	894	1,514
Less R & D capitalised	(187)	(426)	(717)
Effect of exceptional items	(293)	(23)	(1,562)
<b>Total administrative expenses</b>	<b>9,099</b>	<b>10,163</b>	<b>18,186</b>

The charge for depreciation of fixed assets and for the amortisation of intangibles is £1.99m (H1 2017: £2.01m).

### ***Operating profit and adjusted earnings before interest tax and depreciation***

The Group has made an operating profit of £1.91m (H1 2017: £1.70m). We consider a more meaningful measure of underlying performance to be adjusted EBITDA which for H1 2018 was £4.90m (H1 2017: £4.58m). This excludes the effects of share-based payments of £1.29m (H1 2017: £0.89m) and exceptional profits of £0.29m (H1 2017: £0.02m). Share-based payments have risen as result of the increase in share price over the period.

### ***Finance costs***

Finance costs are a little lower at £0.21m (H1 2017: £0.30m). The main charge results from an increase in the fair value of deferred consideration.

### ***Tax***

There is a tax charge of £0.68m (H1 2017: £1.63m). The reduction is mainly the result of a deferred tax charge resulting from the cancellation of share options in the 2017 comparative numbers.

### ***Balance sheet***

We have invested £0.71m (H1 2017: £0.72m) in property plant and equipment. The expenditure is split between additional production equipment in Germany and improvements to our Facility in Elkhart. Further expenditure in Elkhart is planned for the second half of the year. In addition, we invested £0.33m in RenalytixAI in the form of a loan.

## ***Intangible assets***

The value of intangible fixed assets is £42.6m (31 December 2017: £43.60m). The decrease is mainly as a result of amortisation. An amount of £0.25m has been capitalised, most of which is development expenditure.

## ***Deferred consideration***

The remaining deferred consideration relates to the share-based payment to the former owner of EKF-Diagnostic GmbH. Finalisation of the contracts to conclude the position is still expected to take place in 2018.

## ***Cash and working capital***

The gross cash position at 30 June 2018 was £9.93m (31 Dec 2017: £8.20m), and the Group had net cash of £8.82m (31 Dec 2017: £7.00m).

Cash generated from operations in H1 2018 is £4.35m (H1 2017: £5.00m). Trade debtors at period end are higher than at the 2017 year end largely because of timing differences. Inventory continues to reduce, although some of the opportunities we are progressing for later in 2018 and beyond will require an element of inventory building to fulfil contractual requirements. Trade and other payables have increased, mainly because of higher liabilities recognised in respect of cash settled share-based payments.

## **Capital structure**

We have not made any further share buy backs during the period. Our authorisation to do so remains in place and we will make further purchases if appropriate.

## **Outlook**

During the first half of 2018, the Group made significant headway in delivering the strategy mentioned at the time of the 2017 results. Despite currency headwinds and reduced revenues following the completion of the Saudi tender, the Group achieved earnings in H1 which were marginally ahead of management expectations. H2 has started well with organic revenue and EBITDA improving on the same period year-on-year.

At the same time we undertook a number of actions to support the future performance of the business: delaying the launch of DiaSpect Tm in the US which allowed us to complete a significant distribution agreement with McKesson; substantial investment in enlarging our Elkhart facility ahead of revenue ramp-up from our Oragenics, Inc agreement; the development of Lactate Scout 4.0 for launch in H1 2019 for clinical care and obstetrics; signing a distribution agreement for Asahi Kasei Pharma's Glycated Albumin products; and investment in seeking FDA approval for the launch of Quo-Test next year. We believe that these actions, alongside new contracts recently signed and a strong order book, will lead to further progress over the final months of the current year and beyond.

Christopher Mills  
**Non-Executive Chairman**

18 September 2018

**CONSOLIDATED INCOME STATEMENT  
FOR THE 6 MONTHS ENDED 30 JUNE 2018**

	Notes	Unaudited 6 months ended 30 June 2018 £'000	Unaudited 6 months ended 30 June 2017 £'000	Audited Year ended 31 December 2017 £'000
<b>Continuing operations</b>				
Revenue	3	20,357	21,498	41,584
Cost of sales		(9,366)	(9,659)	(18,721)
<b>Gross profit</b>		<b>10,991</b>	11,839	22,863
Administrative expenses		(9,099)	(10,163)	(18,186)
Other income		21	19	52
<b>Operating profit</b>		<b>1,913</b>	1,695	4,729
Depreciation and amortisation		(1,986)	(2,011)	(4,623)
Share-based payments		(1,291)	(894)	(1,514)
Exceptional items	4	293	23	1,562
<b>EBITDA before exceptional items and share based payments</b>		<b>4,897</b>	4,577	9,304
Finance income		10	35	53
Finance costs		(209)	(303)	(475)
<b>Profit before income tax</b>		<b>1,714</b>	1,427	4,307
Income tax charge	5	(679)	(1,626)	(1,367)
<b>Profit/(loss) for the period from continuing operations</b>		<b>1,035</b>	(199)	2,940
Loss associated with available-for-sale assets		(288)	-	-
<b>Profit/(loss) for the period</b>		<b>747</b>	(199)	2,940
<b>Profit/(loss) attributable to:</b>				
Owners of the parent		668	(267)	2,715
Non-controlling interest		79	68	225
		<b>747</b>	(199)	2,940
<b>Profit/(loss) per ordinary share attributable to the owners of the parent during the period</b>				
	6	Pence	Pence	Pence
<b>Basic</b>				
<i>From continuing operations</i>		0.21	(0.06)	0.59
<i>Share of loss associated with available-for-sale assets</i>		(0.06)	-	-
		<b>0.15</b>	(0.06)	0.59
<b>Diluted</b>				
<i>From continuing operations</i>		0.21	(0.06)	0.58
<i>Share of loss associated with available-for-sale assets</i>		(0.06)	-	-
		<b>0.15</b>	(0.06)	0.58

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS ENDED 30 JUNE  
2018**

	<b>Unaudited 6 months ended 30 June 2018 £'000</b>	<b>Unaudited 6 months ended 30 June 2017 £'000</b>	<b>Audited Year ended 31 December 2017 £'000</b>
Profit/(loss) for the period - continuing	<b>1,035</b>	(199)	2,940
Loss associated with available-for-sale assets	<b>(288)</b>	-	-
	<b>747</b>	(199)	2,940
<b>Other comprehensive income:</b>			
Currency translation differences	<b>23</b>	(277)	(622)
<b>Other comprehensive gain/(loss) for the period</b>	<b>23</b>	(277)	(622)
<b>Total comprehensive profit/(loss) for the period</b>	<b>770</b>	(476)	2,318
<b>Attributable to:</b>			
Owners of the parent	<b>716</b>	(579)	2,096
Non-controlling interests	<b>54</b>	103	222
<b>Total comprehensive profit/(loss) for the period</b>	<b>770</b>	(476)	2,318

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

Notes	<b>Unaudited as at 30 June 2018 £'000</b>	<b>Unaudited as at 30 June 2017 £'000</b>	<b>Audited as at 31 December 2017 £'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>12,329</b>	12,096	12,121
Intangible assets	<b>7 42,624</b>	45,165	43,600
Investments	<b>152</b>	152	152
Deferred tax assets	<b>24</b>	35	34
Available-for-sale financial assets	<b>41</b>	-	-
<b>Total non-current assets</b>	<b>55,170</b>	57,448	55,907
<b>Current Assets</b>			
Inventories	<b>5,563</b>	5,638	5,638
Trade and other receivables	<b>7,896</b>	9,366	7,396
Deferred tax assets	<b>12</b>	13	13
Cash and cash equivalents	<b>9,925</b>	5,719	8,203
<b>Total current assets</b>	<b>23,396</b>	20,736	21,250
<b>Total assets</b>	<b>78,566</b>	78,184	77,157
<b>Equity attributable to owners of the parent</b>			
Share capital	<b>4,576</b>	4,643	4,576
Share premium account	<b>-</b>	95,393	-
Other reserve	<b>108</b>	41	108
Foreign currency reserves	<b>4,940</b>	4,762	4,892
Retained earnings	<b>51,062</b>	(46,467)	50,394



	<b>60,686</b>	58,372	59,970
<b>Non-controlling interest</b>	<b>392</b>	410	528
<b>Total equity</b>	<b>61,078</b>	58,782	60,498
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	<b>902</b>	1,275	872
Deferred tax liability	<b>3,387</b>	4,063	3,467
<b>Total non-current liabilities</b>	<b>4,289</b>	5,338	4,339
<b>Current liabilities</b>			
Trade and other payables	<b>10,198</b>	10,728	9,429
Deferred consideration	<b>1,264</b>	915	1,062
Current income tax liabilities	<b>1,500</b>	2,231	1,473
Deferred tax liabilities	<b>36</b>	182	23
Borrowings	<b>201</b>	8	333
<b>Total current liabilities</b>	<b>13,199</b>	14,062	12,320
<b>Total liabilities</b>	<b>17,488</b>	19,402	16,659
<b>Total equity and liabilities</b>	<b>78,566</b>	78,184	77,157

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE 6 MONTHS ENDED 30 JUNE 2018**

	<b>Unaudited 6 months ended 30 June 2018 £'000</b>	<b>Unaudited 6 months ended 30 June 2017 £'000</b>	<b>Audited Year to 31 December 2017 £'000</b>
<b>Cash flow from operating activities</b>			
Profit before income tax	<b>1,714</b>	1,427	4,307
Adjustments for			
- Warranty claim	<b>(207)</b>	(223)	(339)
- Depreciation	<b>559</b>	592	1,160
- Amortisation and impairment charges	<b>1,427</b>	1,419	3,463
- Deferred consideration (FV adjust)	<b>202</b>	-	369
- Foreign Exchange	-	-	233
- Profit/(loss) on disposal of assets	-	30	(33)
- Share-based payments	<b>1,291</b>	545	1,510
- Escrow cancellation	-	-	(1,371)
- Net finance costs	<b>(3)</b>	268	53
Changes in working capital			
- Inventories	<b>24</b>	286	306
- Trade and other receivables	<b>(40)</b>	(481)	1,535
- Trade and other payables	<b>(615)</b>	1,134	(1,075)
Cash generated by operations	<b>4,352</b>	4,995	10,118
Interest paid	<b>(7)</b>	(68)	(106)
Income tax (paid)/received	<b>(1,077)</b>	141	(959)
<b>Net cash generated by operating activities</b>	<b>3,268</b>	5,068	9,053
<b>Cash flow from investing activities</b>			
Purchase of available-for-sale financial assets	<b>(329)</b>	-	-
Purchase of property, plant and equipment (PPE)	<b>(712)</b>	(717)	(1,361)
Purchase of intangibles	<b>(246)</b>	(539)	(852)
Proceeds from sale of PPE	<b>8</b>	119	128
Interest received	<b>10</b>	22	53
<b>Net cash used in investing activities</b>	<b>(1,269)</b>	(1,115)	(2,032)
<b>Cash flow from financing activities</b>			
Share buy back	-	-	(241)
New borrowings	-	199	-
Repayment of borrowings	<b>(107)</b>	(4,434)	(4,458)
Dividends paid to non-controlling interests	<b>(190)</b>	(215)	(215)
Cancellation of share options	-	(1,509)	(1,505)
<b>Net cash used in financing activities</b>	<b>(297)</b>	(5,959)	(6,419)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,702</b>	(2,006)	602

Cash and cash equivalents at beginning of period	<b>8,203</b>	7,874	7,874
Exchange gains/(losses) on cash and cash equivalents	<b>20</b>	(149)	(273)
<b>Cash and cash equivalents at end of period</b>	<b>9,925</b>	5,719	8,203

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 30 JUNE 2017

	Share Capital	Share Premium	Other Reserve	Foreign Currency Reserve	Retained earnings	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2017</b>	4,643	95,393	41	5,609	(45,236)	<b>60,450</b>	521	<b>60,971</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	(199)	<b>(199)</b>	68	<b>(131)</b>
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	(847)	(68)	<b>(915)</b>	36	<b>(879)</b>
<b>Total comprehensive income</b>	-	-	-	(847)	(267)	<b>(1,114)</b>	104	<b>(1,010)</b>
<b>Transactions with owners</b>								
Dividends to non-controlling interest	-	-	-	-	-	-	(215)	<b>(215)</b>
Share based payments	-	-	-	-	(964)	<b>(964)</b>	-	<b>(964)</b>
<b>Total contributions by and distributions to owners</b>	-	-	-	-	(964)	<b>(964)</b>	(215)	<b>(1,179)</b>
<b>At 30 June 2017</b>	4,643	95,393	41	4,762	(46,467)	<b>58,372</b>	<b>410</b>	<b>58,782</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	2,914	<b>2,914</b>	157	<b>3,071</b>
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	130	166	<b>296</b>	(39)	<b>257</b>
<b>Total comprehensive income</b>	-	-	-	130	3,080	<b>3,210</b>	118	<b>3,328</b>
<b>Transactions with owners</b>								
Share Cancellation	(67)	-	67	-	(3,121)	<b>(3,121)</b>	-	<b>(3,121)</b>
Capital reconstruction	-	(95,393)	-	-	95,393	-	-	-
Share based payments	-	-	-	-	1,509	<b>1,509</b>	-	<b>1,509</b>
<b>Total contributions by and distributions to owners</b>	<b>(67)</b>	<b>(95,393)</b>	<b>67</b>	-	93,781	<b>(1,612)</b>	-	<b>(1,612)</b>
<b>At 31 December 2017</b>	<b>4,576</b>	-	<b>108</b>	<b>4,892</b>	<b>50,394</b>	<b>59,970</b>	528	<b>60,498</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	956	<b>956</b>	79	<b>1,035</b>
Loss associated with available-for-sale assets	-	-	-	-	(288)	<b>(288)</b>	-	<b>(288)</b>
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	48	-	<b>48</b>	(25)	<b>23</b>
<b>Total comprehensive income</b>	-	-	-	48	668	<b>716</b>	54	<b>770</b>
<b>Transactions with owners</b>								
Dividends to non-controlling interest	-	-	-	-	-	-	(190)	<b>(190)</b>
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-	(190)	<b>(190)</b>
<b>At 30 June 2017</b>	<b>4,576</b>	-	<b>108</b>	<b>4,940</b>	<b>51,062</b>	<b>60,686</b>	<b>392</b>	<b>61,078</b>

## **NOTES FORMING PART OF THE INTERIM FINANCIAL STATEMENTS**

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

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

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

The financial information in these interim results is that of the holding company and all of its subsidiaries other than RenalytixAI which has been treated as an asset available for sale. 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 2017 and which will form the basis of the 2018 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 with the exception of IFRS 15 "Revenue from contracts with customers". The application of IFRS 15 has not resulted in any adjustment to the reported figures.

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 2017 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 2018 and 30 June 2017 is unaudited and the twelve months to 31 December 2017 is audited.

These interim accounts have not been prepared in accordance with IAS 34.

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

#### **Going concern**

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

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results which show, taking into account reasonably probable changes in financial performance, that the Group should be able to operate within the level of its current funding arrangements.

The Directors believe that the Company and the Group have adequate resources to continue in

operation for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of the financial statements.

### **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.

### **Government grants**

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

## **Property, plant and equipment**

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

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

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

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

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

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

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

## **Intangible assets**

### *(a) Goodwill*

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

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

### *(b) Trademarks, trade names and licences*

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

*(d) Trade secrets*

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

*(e) Development costs*

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

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

Development costs are amortised over the estimated useful life of the products with which they are associated, currently 4 to 5 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.

**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 the money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

## **Investments**

Investments where the Group does not have a controlling interest are initially recognised at cost. The carrying value is tested annually for impairment and an impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

## **Financial assets**

### *Classification*

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition.

#### *(a) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

#### *(b) Available-for-sale financial assets*

Available-for-sale assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

### *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase the asset. Assets are initially

recognised at fair value plus transaction costs. Financial assets are derecognised when the risk and rewards of ownership have been transferred.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income until the asset is disposed at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement for the period. If an available-for-sale investment is determined to be impaired, the cumulative loss previously recognised in equity is included in the income statement for the period.

### **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 initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. 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.

### **Financial liabilities**

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

### **Trade and other payables**

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

### **Borrowings**

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

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

### **Current and deferred income tax**

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

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

Deferred tax is recognised, using the liability method, on all temporary differences at

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

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

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

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

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

### **Provisions**

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

### **Leases**

Leases which transfer substantially all the risks and rewards of ownership of an asset are treated as a finance lease. Assets held under finance leases are capitalised at their fair value at the inception of the lease and depreciated over the estimated useful economic life of the asset or lease term if shorter. The finance charges are allocated to the income statement in proportion to the capital amount outstanding.

All other leases are classified as operating leases. Operating lease rentals are charged to the income statement in equal annual amounts over the lease term.

### **Deferred consideration**

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

### **Employee benefits**

*(a) Pension obligations*

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

The Group no longer has any defined benefit schemes.

*(b) Share-based compensation*

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

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

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

*National insurance on share options*

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

**Revenue recognition**

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" for the first time for the financial year commencing 1 January 2018. Because of the nature of the Group's contracts in the periods, the adoption of IFRS 15 does not result in a material impact on the Group's results in either the current or prior periods.

*(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 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.

*(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) 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.

*(d) Royalty and licence income*

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

**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.

**Other income**

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

**Exceptional items**

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

**3. Segmental reporting**

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

The principal activity of the Group is the design, development, manufacture and selling of diagnostic instruments, reagents and certain ancillary items. 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. Other services include the servicing and distribution of third party company products under separate distribution agreements.

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

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

**Period ended 30 June 2018 unaudited**

	<b>Germany</b>	<b>USA</b>	<b>Russia</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income statement</b>					
Revenue	10,473	11,213	1,197	5	22,888
Inter segment	(2,531)	-	-	-	(2,531)
<b>External revenue</b>	<b>7,942</b>	<b>11,213</b>	<b>1,197</b>	<b>5</b>	<b>20,357</b>
<b>Adjusted EBITDA</b>	<b>2,965</b>	<b>3,717</b>	<b>307</b>	<b>(2,092)</b>	<b>4,897</b>
Share based payment	-	-	-	(1,291)	(1,291)
Exceptional items	(446)	95	-	644	293
<b>EBITDA</b>	<b>2,519</b>	<b>3,812</b>	<b>307</b>	<b>(2,739)</b>	<b>3,899</b>
Depreciation	(399)	(137)	(13)	(10)	(559)
Amortisation	(336)	-	-	(1,091)	(1,427)
<b>Operating profit/(loss)</b>	<b>1,784</b>	<b>3,675</b>	<b>294</b>	<b>(3,840)</b>	<b>1,913</b>
Net finance costs	(5)	-	7	(201)	(199)
Income tax	67	(538)	(110)	(98)	(679)
<b>Profit/(loss) for the period - continuing</b>	<b>1,846</b>	<b>3,137</b>	<b>191</b>	<b>(4,139)</b>	<b>1,035</b>
Loss associated with available-for-sale assets	-	-	-	(288)	(288)
<b>Profit/(loss) for the period</b>	<b>1,846</b>	<b>3,137</b>	<b>191</b>	<b>(4,427)</b>	<b>747</b>
<b>Segment assets</b>					
Operating assets	40,552	24,985	484	25,205	91,226
Inter segment assets	(86)	-	-	(22,499)	(22,585)
External operating assets	40,466	24,985	484	2,706	68,641
Cash and cash equivalents	3,140	4,264	801	1,720	9,925
<b>Total assets</b>	<b>43,606</b>	<b>29,249</b>	<b>1,285</b>	<b>4,426</b>	<b>78,566</b>
<b>Segment liabilities</b>					
Operating liabilities	12,465	19,911	179	6,415	38,970
Inter segment liabilities	(7,585)	(15,000)	-	-	(22,585)
External operating liabilities	4,880	4,911	179	6,415	16,385
Borrowings	1,005	-	-	98	1,103
<b>Total liabilities</b>	<b>5,885</b>	<b>4,911</b>	<b>179</b>	<b>6,513</b>	<b>17,488</b>

<b>Other segmental information</b>					
Non-current assets - PPE	6,522	4,446	88	1,273	12,329
Non-current assets - Intangibles	27,767	13,477	98	1,282	42,624
Intangible assets - additions	185	62	-	-	247
PPE - additions	325	334	50	3	712

### Year ended December 2017 audited

	Germany	USA	Russia	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>Income statement</b>					
Revenue	21,006	22,856	2,742	4	46,608
Inter segment	(5,024)	-	-	-	(5,024)
<b>External revenue</b>	<b>15,982</b>	<b>22,856</b>	<b>2,742</b>	<b>4</b>	<b>41,584</b>
<b>Adjusted EBITDA*</b>	<b>5,883</b>	<b>7,730</b>	<b>686</b>	<b>(4,995)</b>	<b>9,304</b>
Share based payment	-	-	-	(1,514)	(1,514)
Exceptional items	(207)	19	-	1,750	1,562
<b>EBITDA</b>	<b>5,676</b>	<b>7,749</b>	<b>686</b>	<b>(4,759)</b>	<b>9,352</b>
Depreciation	(808)	(300)	(30)	(22)	(1,160)
Amortisation	(2,673)	(1,036)	(28)	274	(3,463)
<b>Operating profit/(loss)</b>	<b>2,195</b>	<b>6,413</b>	<b>628</b>	<b>(4,507)</b>	<b>4,729</b>
Net finance costs	(48)	14	37	(425)	(422)
Income tax	476	(1,322)	(177)	(344)	(1,367)
<b>Profit/(loss) for the year</b>	<b>2,623</b>	<b>5,105</b>	<b>488</b>	<b>(5,276)</b>	<b>2,940</b>
<b>Segment assets</b>					
Operating assets	40,959	24,219	573	26,363	92,114
Inter-segment assets	(168)	-	-	(22,992)	(23,160)
External operating assets	40,791	24,219	573	3,371	68,954
Cash and cash equivalents	3,118	3,376	994	715	8,203
<b>Total assets</b>	<b>43,909</b>	<b>27,595</b>	<b>1,567</b>	<b>4,086</b>	<b>77,157</b>
<b>Segment liabilities</b>					
Operating liabilities	13,543	20,467	132	4,472	38,614
Inter-segment liabilities	(8,294)	(14,990)	-	124	(23,160)
External operating liabilities	5,249	5,477	132	4,596	15,454
Borrowings	1,056	-	-	149	1,205
<b>Total liabilities</b>	<b>6,305</b>	<b>5,477</b>	<b>132</b>	<b>4,745</b>	<b>16,659</b>
<b>Other segmental information</b>					
Non-current assets - PPE	6,443	4,164	53	1,641	12,121
Non-current assets - Intangibles	28,461	13,638	119	1,382	43,600

Intangible assets - additions	293	484	-	75	852
PPE - additions	1,033	290	23	15	1,361

### Period ended 30 June 2017 unaudited

	Germany	USA	Russia	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>Income statement</b>					
Revenue	10,582	11,822	1,140	(2,046)	21,498
Inter segment	(2,046)	-	-	2,046	-
<b>External revenue</b>	<b>8,536</b>	<b>11,822</b>	<b>1,140</b>	<b>-</b>	<b>21,498</b>
<b>Adjusted EBITDA*</b>	<b>2,629</b>	<b>4,056</b>	<b>222</b>	<b>(2,330)</b>	<b>4,577</b>
Share based payment	-	-	-	(894)	(894)
Exceptional items	(184)	-	-	207	23
<b>EBITDA</b>	<b>2,445</b>	<b>4,056</b>	<b>222</b>	<b>(3,017)</b>	<b>3,706</b>
Depreciation	(385)	(157)	(17)	(34)	(593)
Amortisation	(225)	426	-	(1,619)	(1,418)
<b>Operating profit/(loss)</b>	<b>1,835</b>	<b>4,325</b>	<b>205</b>	<b>(4,670)</b>	<b>1,695</b>
Net finance costs	(20)	380	(366)	(272)	(278)
Income tax	(182)	(4)	(1,026)	(404)	(1,616)
Discontinued operations	-	-	-	-	-
<b>Profit/(loss) for the year</b>	<b>1,633</b>	<b>4,701</b>	<b>(1,187)</b>	<b>(5,346)</b>	<b>(199)</b>
<b>Segment assets</b>					
Operating assets	50,556	49,206	491	(4,305)	95,948
Inter-segment assets	(201)	-	-	(23,282)	(23,483)
External operating assets	50,355	49,206	491	(27,587)	72,465
Cash and cash equivalents	1,584	2,210	830	1,095	5,719
<b>Total assets</b>	<b>51,939</b>	<b>51,416</b>	<b>1,321</b>	<b>(26,492)</b>	<b>78,184</b>
<b>Segment liabilities</b>					
Operating liabilities	14,779	22,099	233	4,491	41,602
Inter-segment liabilities	(8,305)	(15,320)	-	142	(23,483)
External operating liabilities	6,474	6,779	233	4,633	18,119
Borrowings	1,132	151	-	-	1,283
<b>Total liabilities</b>	<b>7,606</b>	<b>6,930</b>	<b>233</b>	<b>4,633</b>	<b>19,402</b>
<b>Other segmental information</b>					
Non-current assets - PPE	6,492	4,289	53	1,292	12,096
Non-current assets - Intangibles	29,189	14,457	135	1,384	45,165

Intangible assets - additions	221	67	-	251	539
PPE - additions	566	137	1	13	717

\* Adjusted EBITDA represents earnings before interest, tax, depreciation and amortisation adjusted for exceptional items and share based payments

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

#### Disclosure of Group revenues by geographic location

	Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017	Audited Year ended 31 December 2017
	£000	£000	£000
<b>Americas</b>			
United States of America	8,516	8,721	17,174
Rest of Americas	1,828	1,524	3,195
<b>Europe, Middle East and Africa (EMEA)</b>			
Germany	3,090	3,300	6,016
United Kingdom	135	159	300
Rest of Europe	1,869	1,879	3,423
Russia	1,198	1,140	2,743
Middle East	815	1,679	2,912
Africa	427	962	1,611
<b>Rest of World</b>			
China	427	563	915
Rest of Asia	1,989	1,499	3,168
New Zealand/Australia	63	72	127
<b>Total Revenue</b>	<b>20,357</b>	<b>21,498</b>	<b>41,584</b>

#### 4. Exceptional items

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

	Note	Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017	Audited year ended 31 December 2017
		£000	£000	£000
<b>Exceptional items include:</b>				
- Business reorganisation costs	a	(9)	(200)	(183)
- Cancellation of shares	b	-	-	1,406
- Warranty claim	c	207	223	339



- Damages awarded	d	95	-	-
Exceptional items		293	23	1,562

- (a) Costs associated with the closure of STI, the transfer of production of Quo-Test and Quo-Lab from the UK to Germany, the mothballing of EKF Molecular, and with the closure of the Group's Dublin facility
- (b) Fair value of shares released to EKF by former shareholders of Selah Genomics Inc. which had been issued as part of the consideration for the acquisition of Selah, but held in escrow. These shares have subsequently been cancelled.
- (c) Warranty claim in relation to the acquisition of EKF-diagnostic GmbH
- (d) Damages awarded as a result of litigation brought against a customer

## 5. Income tax

	Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017	Audited Year ended 31 December 2017
	£000	£000	£000
<b>Current tax</b>			
Current tax on profit/loss for the period	(780)	(1,414)	2,045
Adjustments for prior periods	-	-	(100)
<b>Total current tax</b>	<b>(780)</b>	<b>(1,414)</b>	<b>1,945</b>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	101	(212)	(578)
<b>Total deferred tax</b>	<b>101</b>	<b>(212)</b>	<b>(578)</b>
Income tax (charge)/credit	<b>(679)</b>	<b>(1,626)</b>	<b>1,367</b>

## 6. Earnings per share

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

Diluted profit 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 share, being share options. The potential shares were not dilutive in H1 2017 as the Group made a loss per share.

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>6 months</b>	<b>6 months</b>	<b>year ended</b>
	<b>ended 30</b>	<b>ended 30</b>	<b>31</b>
	<b>June 2018</b>	<b>June 2017</b>	<b>December</b>
	<b>£'000</b>	<b>£'000</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Profit/(loss) attributable to owners of the parent</b>	<b>956</b>	(267)	2,715
Weighted average number of ordinary shares in issue	<b>457,554,636</b>	464,262,781	463,098,526
Effect of dilutive potential ordinary shares	<b>4,228,348</b>	9,205,976	6,245,021
Weighted average number of ordinary shares - diluted	<b>461,782,984</b>	473,468,757	469,343,547
	Pence	Pence	Pence
<b>Basic</b>			
From continuing operations	<b>0.21</b>	(0.06)	0.59
Share of loss associated with available-for-sale assets	<b>(0.06)</b>	-	-
Profit/(loss) per share	<b>0.15</b>	(0.06)	0.59
	Pence	Pence	Pence
<b>Diluted</b>			
From continuing operations	<b>0.21</b>	(0.06)	0.58
Share of loss associated with available-for-sale assets	<b>(0.06)</b>	-	-
Profit/(loss) per share	<b>0.15</b>	(0.06)	0.58

## 7. Intangible Fixed Assets

Group	Goodwill	Trademarks	Non-	Customer	Trade	Develop-ment	Total
	£'000	trade names	competete	relationships	secrets	costs	£'000
	£'000	& licences	£'000	£'000	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 January 2017	27,037	3,052	70	16,376	18,625	8,785	73,945
Additions	-	113	-	-	-	786	899
Exchange differences	37	(45)	-	(354)	255	139	32
<b>At 30 June 2017</b>	<b>27,074</b>	<b>3,120</b>	<b>70</b>	<b>16,022</b>	<b>18,880</b>	<b>9,710</b>	<b>74,876</b>
Additions	-	22	-	-	-	(69)	(47)
Elimination	-	-	(70)	-	-	(434)	(504)
Exchange differences	(75)	27	-	(301)	107	3	(239)
<b>At 31 December 2017</b>	<b>26,999</b>	<b>3,169</b>	<b>-</b>	<b>15,721</b>	<b>18,987</b>	<b>9,210</b>	<b>74,086</b>
Additions	-	59	-	-	-	187	246
Reclassification/transfer	-	-	-	-	-	86	86
Exchange differences	73	(151)	-	142	(32)	141	173
<b>At 30 June 2018</b>	<b>27,072</b>	<b>3,077</b>	<b>-</b>	<b>15,863</b>	<b>18,955</b>	<b>9,624</b>	<b>74,591</b>
<b>Amortisation</b>							
At 1 January 2017	2,228	1,897	70	6,816	10,594	5,837	27,442
Exchange differences	30	(16)	-	(126)	114	848	850
Charge for the period	-	157	-	662	453	(186)	1,086
Impairment	333	-	-	-	-	-	333
<b>At 30 June 2017</b>	<b>2,591</b>	<b>2,038</b>	<b>70</b>	<b>7,352</b>	<b>11,161</b>	<b>6,499</b>	<b>29,711</b>
Exchange differences	12	20	-	(120)	47	(724)	(765)
Charge for the period	-	116	-	648	464	542	1,770
Elimination	-	-	(70)	-	-	(434)	(504)
Impairment	-	-	-	-	-	274	274
<b>At 31 December 2017</b>	<b>2,603</b>	<b>2,174</b>	<b>-</b>	<b>7,880</b>	<b>11,672</b>	<b>6,157</b>	<b>30,486</b>
Exchange differences	(5)	(40)	-	48	(17)	(18)	(32)
Reclassification/transfer	-	-	-	-	-	86	86
Charge for the period	-	140	-	656	452	179	1,427
<b>At 30 June 2018</b>	<b>2,598</b>	<b>2,274</b>	<b>-</b>	<b>8,584</b>	<b>12,107</b>	<b>6,404</b>	<b>31,967</b>

Net book value

	24,474	803	-	7,279	3,220	42,624
30 June 2018					, 8 4 8	
	24,396	995	-	7,840	3,054	43,600
31 December 2017					, 3 1 5	
	24,483	1,082	-	8,670	3,211	45,165
30 June 2017					, 7 1 9	

## 8. Dividends

No dividends to shareholders of the holding company were provided or paid during the six months to 30 June 2018 (to 30 June 2017 and 31 December 2017: £nil). The Board's policy is to enhance shareholder value mainly through the growth of the Group, and through a programme of share buy backs. The Board will however consider the payment of dividends if and when appropriate.

## 9. Press

A copy of this announcement is available from the Company's website, being [www.ekfdiagnostics.com](http://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.

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