

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

**Half-year 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 2019. The Company announces earnings ahead of management expectations and continued good cash generation.

**Financial Highlights**

- Revenue up 5.3% to £21.44m (H1 2018: £20.36m)
- Adjusted EBITDA\* up 13.9% to £5.58m (H1 2018: £4.90m)
- Net profit of £1.43m (H1 2018: £0.75m)
- Strong cash generation from operations of £4.34m (H1 2018: £4.35m)
- Continued capital investments in Germany and USA of £0.71m;
- Investment in inventory protects delivery of major projects in H2 2019
- Further investment in RenalytixAI of £0.12m
- Net cash £11.78m (30 June 2018: £8.82m) (31 December 2018: net cash of £9.40m)
- First dividend to be paid following AGM H1 2020 subject to shareholder approval

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

**Operational Highlights**

- Preferred Partnership Agreement with Mount Sinai Innovation Partners giving EKF the opportunity to be the first to review all digital diagnostic opportunities that exist within the Mount Sinai hospital group
- Successful full launch of Consult Hb analyser with McKesson-Surgical Inc. and first revenue contribution
- Further investment in Elkhart enzyme facility to increase capacity
- Revenue contribution from enzyme contract with Oragenics, Inc.

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

*"The outlook for the second half is encouraging with Q3 trading to date in line with management expectations. Revenues are expected to show continuing momentum over the balance of the year, in part due to the increasing contribution from the OEM contract with McKesson Medical-Surgical Inc. for the distribution of DiaSpect Tm in the US and further growth from the enzyme business with Oragenics, Inc."*

Julian Baines, CEO  
Richard Evans, FD & COO

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## **BUSINESS REVIEW**

We are pleased to announce that the current financial year has started well. Revenue at £21.44m (H1 2018: £20.36m) is in line with market forecasts, but tight cost control has meant that adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, adjusted for exceptional items and share-based payments) for the six months ended 30 June 2019 reached £5.58m (H1 2018: £4.90m), ahead of management expectations. Even with continued investment in the business, cash generation has continued to be very good.

### **Strategy and operations**

#### *Strategy*

The significant progress with our strategy made in 2018 has continued into 2019.

Following the highly successful spin-off of Renalytix AI plc ("RenalytixAI") in November 2018, which included EKF acquiring shares in the placing at a cost of £3.1m, we acquired a further 100,074 ordinary RenalytixAI shares in April 2019 at an average cost of 123.5973 pence per share. EKF's interest in RenalytixAI is now 2,677,981 Ordinary Shares, which at 30 June 2019 represented 4.98% of RenalytixAI's issued share capital. At 30 June 2019 our shareholding in RenalytixAI had a market value of £8.5m.

Building on this success we have today announced a Preferred Partnership Agreement with Mount Sinai Innovation Partners ("MSIP") which gives EKF the opportunity to be the first to review all digital diagnostic opportunities that exist within the Mount Sinai hospital group. It is clear that the relationship between Mount Sinai and EKF will allow leaders in their field an opportunity to make a significant difference to the health of millions of people worldwide. As the first fruit of this relationship, MSIP and EKF have signed a non-binding Heads of Terms in the field of Inflammatory Bowel Disease, which affects 3 million people in the US alone.

The Consult Hb was launched on the 1<sup>st</sup> April 2019 by McKesson in the US and although we are at early stages the growth potential is very positive with sales reaching \$280k in the first 3 months, beating management expectations. It was always the strategy to significantly grow our haemoglobin market in the US and the partnership with McKesson will help us achieve this.

We are experiencing significant growth opportunities in our enzyme facility in Elkhart, USA, which is now at full capacity. EKF has signed a lease on a second site close to our existing facility so we can fulfil the exciting opportunities we have with

new customers such as Oragenics, iGenomics, Ixcela and Vitacyte. First revenues from the new facility are expected before the end of this year.

The Company's capital structure has been further simplified through the cancellation of 250,000 share options at the election of the option holder in return for the payment of a one-off cash sum.

In light of the continued strong cash generation, the Board now intends to recommend a dividend of 1p per share in respect of the financial year ended 2019 which will be subject to shareholder approval at the next Annual General Meeting ("AGM") to be held in H1 2020.

## *Operations*

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

#### **i. Hematology**

Hematology sales have risen by 2.2% over H1 2018.

In August 2018 EKF signed a private label distribution agreement with McKesson Medical-Surgical Inc. ("McKesson"), for the DiaSpect Tm. The DiaSpect Tm is sold in the US by McKesson under its own branded line, as the *McKesson Consult® Hb analyser*.

The agreement follows US Food and Drug Administration 510(k) clearance and CLIA waiver for the DiaSpect Tm in April 2018, approving the product for use in point-of-care and Certificate of Waiver settings.

The full launch of the *McKesson Consult® Hb analyser* took place on 1<sup>st</sup> April 2019. Initial sales of \$280,000 over the first 90 days have been encouraging and ahead of EKF management's expectations. Sales in H1 2018 benefited from a major project in Pakistan which completed prior to H1 2019, and accounted for over £400,000 of revenue in the comparable period in 2018.

#### **ii. Diabetes**

Sales of our Diabetes range increased by 8.7%, driven by increased sales of Quo-Test (+41.7%) where we are finally gaining traction in the UK and seeing continued growth in APAC.

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

#### **iii. Central Laboratory**

Despite increased competitive pressures,  $\beta$ -HB sales have continued to perform very strongly, up a further 11.8% in H1 2019 over the same period last year, and once again driving the overall increase in Central Laboratory sales of 12.8%. Prospects for the product in the USA and other territories have been enhanced by an agreement with Ortho Clinical Diagnostics to bring our  $\beta$ -HB reagent to their platforms.

Sales to Oragenics, Inc. (from the outsourced manufacture of the enzyme for its Lantibiotic product) have contributed to growth in the first half of the year, with Life Sciences revenues up 23.8% as a result. Our new facility in South Bend, close to Elkhart, will allow us to better service new and existing customers.

As a replacement for our STAT-Site M  $\beta$ -HB product, we are looking forward to the launch of our new STAT-Site Whole Blood analyser in early 2020. We are also completing pre-launch activities for the new Glycated Albumin product in the USA. In addition we have won a tender with the Jordanian Army for 26 Altair Clinical Chemistry analysers.

#### **iv. Other**

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

#### **Regulatory Update**

Regulatory pressures in diagnostics continue to grow and we are adding additional resources to our regulatory team to cover this.

Our local partner has been successful in achieving regulatory approval for Quo-Lab in China. The pre-market processes required to open this market are also now complete.

### **Financial review**

#### **Revenue**

Revenue for the period was £21.44m (H1 2018: £20.36m), an increase of 5.3%.

	<b>Unaudited 6 months ended 30 June 2019 £'000</b>	Unaudited 6 months ended 30 June 2018 £'000	<b>+/- %</b>
Hematology	<b>6,664</b>	6,518	<b>2.2%</b>
Diabetes	<b>4,815</b>	4,431	<b>8.7%</b>
Central Laboratory	<b>7,394</b>	6,557	<b>12.8%</b>
Other	<b>2,563</b>	2,851	<b>(10.1%)</b>
<b>Total revenue</b>	<b>21,436</b>	20,357	<b>5.3%</b>

#### **Gross profit**

Gross profit is £11.53m (H1 2018: £10.99m). Gross profit as a percentage of revenue is

54% (H1 2018: 54%). The gross margin percentage has been sustained through increased sales of high margin products including  $\beta$ HB, offset by increasing quality and regulatory expenses to comply with more stringent In Vitro Diagnostics Medical Device Regulations (IVDR) requirements.

### **Administrative expenses**

In H1 2019, administrative expenses were broadly flat at £9.12m (H1 2018: £9.10m), representing 42.5% of revenue for the period (H1 2018: 44.7%). Administrative expenses include research and development (R & D) costs of £0.78m (H1 2018: £0.91m). In addition, further R & D costs of £0.18m (H1 2018: £0.19m) have been capitalised. Non-exceptional administrative costs are higher in 2019 partly due to enhanced investment in the US sales team. In this statement we have implemented IFRS 16 "Leases" for the first time. There is no impact on administrative expenses as a result of this accounting policy change, however £0.18m of costs have moved from rental expenses to depreciation leading to an increase in AEBITDA by the same amount.

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

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited Year ended 31 December 2018
Non-exceptional administration expenditure before R & D capitalisation	8,394	8,288	16,660
Effect of share-based payments	1,135	1,291	939
Less capitalised R & D	(183)	(187)	(559)
Effect of exceptional items	(229)	(293)	(6,454)
<b>Total administrative expenses</b>	<b>9,117</b>	<b>9,099</b>	<b>10,586</b>

The charge for depreciation of fixed assets and for the amortisation of intangibles is £2.24m (H1 2018: £1.99m). The large exceptional item in 2018 primarily relates to the accounting profit recognised on the spin-out of Renalytix AI plc.

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

The Group has made an operating profit of £2.44m (H1 2018: £1.91m). We consider a more meaningful measure of underlying performance to be adjusted EBITDA which for H1 2019 was £5.58m (H1 2018: £4.90m). This excludes the effects of share-based payments of £1.14m (H1 2018: £1.29m) and exceptional profits of £0.23m (H1 2018: £0.29m).

### **Finance costs**

Finance costs are £0.25m (H1 2018: £0.21m). The main charge results from an increase in the fair value of deferred consideration.

### **Tax**

There is a tax charge of £0.79m (H1 2018: £0.68m). The charge is higher than would otherwise have been the case because of a prior year adjustment in the UK, relating to

the taxation of the profit made on the spin-out of Renalytix AI plc.

## **Balance sheet**

### ***Fixed assets***

We have capitalised £0.71m (H1 2018: £0.71m) in property plant and equipment. The expenditure is in relation to additional production equipment in Germany and improvements to our facility in Elkhart in the US. Further expenditure in Elkhart and in Germany is planned for the second half of the year. In addition we have recognised £0.8m of right-of-use assets as a result of the implementation of IFRS 16 "Leases". More details are given in Note 7.

### ***Intangible assets***

The value of intangible fixed assets is £40.76m (31 December 2018: £41.77m). The decrease is mainly as a result of amortisation. An amount of £0.38m has been capitalised.

### ***Investments***

This largely consists of our investment in Renalytix AI plc. During the year we acquired further shares via an on-market purchase at a cost of £0.12m. The investment is held at fair value which has been calculated based on the market value of the shares, less a discount to reflect the continuing restrictions placed on the shares.

### ***Deferred consideration***

The remaining deferred consideration relates to the share-based payment to the former owner of EKF-Diagnostic GmbH. Finalisation of the position has been delayed but is expected to conclude in 2019.

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

The gross cash position at 30 June 2019 was £12.75m (31 Dec 2018: £10.28m), and the Group had net cash of £11.78m (31 Dec 2018: £9.40m).

Cash generated from operations in H1 2019 is £4.34m (H1 2018: £4.35m). Inventory levels have increased partially due to accumulating stock for the fulfilment of DiaSpect Tm instruments for the McKesson contract. Trade debtors at period end are higher than at the 2018 year end largely because of timing differences. Trade and other payables have increased, mainly because of higher liabilities recognised in respect of cash settled share-based payments and timing differences.

### ***Capital structure***

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

We have spent £0.02m on buying out an employee's share option agreement.

## Outlook

Each of our major areas of operations is growing its existing business and there are new initiatives underway to open up new markets with existing products as well as projects aimed at bringing in additional capabilities which should have positive impact over the next few years in particular those in Life Sciences.

The outlook for the second half is encouraging with Q3 trading to date in line with management expectations. Revenues are expected to show continuing momentum over the balance of the year, in part due to the increasing contribution from the OEM contract with McKesson Medical-Surgical Inc. for the distribution of DiaSpect Tm in the US and further growth from the enzyme business with Oragenics, Inc.

Christopher Mills  
**Non-Executive Chairman**

10 September 2019

### CONSOLIDATED INCOME STATEMENT FOR THE 6 MONTHS ENDED 30 JUNE 2019

	Notes	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
<b>Continuing operations</b>				
Revenue	3	21,436	20,357	42,543
Cost of sales		(9,904)	(9,366)	(19,847)
<b>Gross profit</b>		<b>11,532</b>	10,991	22,696
Administrative expenses		(9,117)	(9,099)	(10,586)
Other income		24	21	89
<b>Operating profit</b>		<b>2,439</b>	1,913	12,199
Depreciation and amortisation		(2,239)	(1,986)	(3,991)
Share-based payments		(1,135)	(1,291)	(939)
Exceptional items	4	229	293	6,454
<b>EBITDA before exceptional items and share-based payments</b>		<b>5,584</b>	4,897	10,675
Finance income		34	10	43
Finance costs		(247)	(209)	(77)
<b>Profit before income tax</b>		<b>2,226</b>	1,714	12,165
Income tax charge	5	(792)	(679)	(1,866)
<b>Profit for the period from continuing operations</b>		<b>1,434</b>	1,035	10,299
Loss associated with available-for-sale assets		-	(288)	-
<b>Profit for the period</b>		<b>1,434</b>	747	10,299
<b>Profit attributable to:</b>				
Owners of the parent		1,326	668	10,110
Non-controlling interest		108	79	189

		<b>1,434</b>	747	10,299
<b>Profit/(loss) per ordinary share attributable to the owners of the parent during the period</b>	<b>6</b>			
		<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
<b>Basic</b>				
<i>From continuing operations</i>		<b>0.29</b>	0.21	2.21
<i>Share of loss associated with available-for-sale assets</i>		-	(0.06)	-
		<b>0.29</b>	0.15	2.21
<b>Diluted</b>				
<i>From continuing operations</i>		<b>0.29</b>	0.21	2.19
<i>Share of loss associated with available-for-sale assets</i>		-	(0.06)	-
		<b>0.29</b>	0.15	2.19

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS ENDED 30 JUNE 2019**

	<b>Unaudited 6 months ended 30 June 2019 £'000</b>	<b>Unaudited 6 months ended 30 June 2018 £'000</b>	<b>Audited Year ended 31 December 2018 £'000</b>
Profit for the period - continuing	<b>1,434</b>	1,035	10,299
Loss associated with available-for-sale assets	-	(288)	-
	<b>1,434</b>	747	10,299
<b>Other comprehensive income:</b>			
Changes in fair value of equity instruments at fair value through other comprehensive income	<b>1,369</b>	-	-
Currency translation differences	<b>251</b>	23	1,383
<b>Other comprehensive gain for the period</b>	<b>1,620</b>	23	1,383
<b>Total comprehensive profit for the period</b>	<b>3,054</b>	770	11,682
<b>Attributable to:</b>			
Owners of the parent	<b>2,906</b>	716	11,526
Non-controlling interests	<b>148</b>	54	156
<b>Total comprehensive profit for the period</b>	<b>3,054</b>	770	11,682

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

<b>Unaudited as at 30 June 2019</b>	<b>Unaudited as at 30 June 2018</b>	<b>Audited as at 31 December 2018</b>
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	Notes	£'000	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		12,376	12,329	12,469
Right-of-use assets	7	817	-	-
Intangible assets	8	40,759	42,624	41,773
Investments		4,764	152	3,271
Deferred tax assets		33	24	36
Available-for-sale financial assets		-	41	-
<b>Total non-current assets</b>		<b>58,749</b>	<b>55,170</b>	<b>57,549</b>
<b>Current Assets</b>				
Inventories		7,220	5,563	6,115
Trade and other receivables		7,775	7,896	7,434
Deferred tax assets		-	12	-
Cash and cash equivalents		12,749	9,925	10,282
<b>Total current assets</b>		<b>27,744</b>	<b>23,396</b>	<b>23,831</b>
<b>Total assets</b>		<b>86,493</b>	<b>78,566</b>	<b>81,380</b>
<b>Equity attributable to owners of the parent</b>				
Share capital		4,541	4,576	4,541
Other reserve		143	108	143
Foreign currency reserves		6,517	4,940	6,309
Retained earnings		55,218	51,062	52,536
		66,419	60,686	63,529
<b>Non-controlling interest</b>		<b>463</b>	<b>392</b>	<b>375</b>
<b>Total equity</b>		<b>66,882</b>	<b>61,078</b>	<b>63,904</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings		832	902	695
Lease liabilities		540	-	-
Deferred tax liability		2,913	3,387	3,179
<b>Total non-current liabilities</b>		<b>4,285</b>	<b>4,289</b>	<b>3,874</b>
<b>Current liabilities</b>				
Trade and other payables		11,056	10,198	10,094
Lease liabilities		277	-	-
Deferred consideration		1,341	1,264	1,104
Current income tax liabilities		2,513	1,500	2,219
Deferred tax liabilities		-	36	-
Borrowings		139	201	185
<b>Total current liabilities</b>		<b>15,326</b>	<b>13,199</b>	<b>13,602</b>
<b>Total liabilities</b>		<b>19,611</b>	<b>17,488</b>	<b>17,476</b>
<b>Total equity and liabilities</b>		<b>86,493</b>	<b>78,566</b>	<b>81,380</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE 6 MONTHS ENDED 30 JUNE 2019**

	Unaudited 6 months ended 30 June 2019 £'000	Unaudited 6 months ended 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
<b>Cash flow from operating activities</b>			
Profit before income tax	2,788	1,714	12,165
Adjustments for			
- Warranty claim	(234)	(207)	(31)
- Depreciation	794	559	1,158
- Amortisation and impairment charges	1,445	1,427	2,833
- Deferred consideration (FV adjust)	237	202	42
- Foreign Exchange	(70)	-	(83)
- Profit/(loss) on disposal of assets	-	-	13
- Share-based payments	573	1,291	939
- Profit on sale of Renalytix	-	-	(6,356)
- Net finance costs	(3)	(3)	(8)
- Loan write back	-	-	(90)
Changes in working capital			
- Inventories	(1,052)	24	(461)
- Trade and other receivables	(54)	(40)	11

- Trade and other payables	<b>(86)</b>	(615)	(271)
Cash generated by operations	<b>4,338</b>	4,352	9,861
Interest paid	<b>(7)</b>	(7)	(35)
Income tax paid	<b>(757)</b>	(1,077)	(1,503)
<b>Net cash generated by operating activities</b>	<b>3,574</b>	3,268	8,323
<b>Cash flow from investing activities</b>			
Purchase of available-for-sale financial assets	-	(329)	-
Purchase of investments	<b>(124)</b>	-	(3,119)
Purchase of property, plant and equipment (PPE)	<b>(710)</b>	(712)	(1,220)
Purchase of intangibles	<b>(380)</b>	(246)	(632)
Proceeds from sale of PPE	<b>1</b>	8	-
Interest received	<b>10</b>	10	43
<b>Net cash used in investing activities</b>	<b>(1,203)</b>	(1,269)	(4,928)
<b>Cash flow from financing activities</b>			
Share buy back	-	-	(940)
Repayment of borrowings	<b>94</b>	(107)	(242)
Dividends paid to non-controlling interests	<b>(60)</b>	(190)	(309)
Cancellation of share options	<b>(16)</b>	-	-
<b>Net cash used in financing activities</b>	<b>18</b>	(297)	(1,491)
<b>Net increase in cash and cash equivalents</b>	<b>2,389</b>	1,702	1,904
Cash and cash equivalents at beginning of period	<b>10,282</b>	8,203	8,203
Exchange gains on cash and cash equivalents	<b>78</b>	20	175
<b>Cash and cash equivalents at end of period</b>	<b>12,749</b>	9,925	10,282

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTHS ENDED 30 JUNE 2019**

	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 2018</b>	<b>4,576</b>	-	<b>108</b>	<b>4,892</b>	<b>50,394</b>	<b>59,970</b>	<b>528</b>	<b>60,498</b>
<b>Comprehensive income</b>								
Profit for the 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 2018</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>
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	9,442	<b>9,442</b>	110	<b>9,552</b>
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	1,369	(1)	<b>1,368</b>	(8)	<b>1,360</b>
<b>Total comprehensive income</b>	-	-	-	1,369	9,442	<b>10,810</b>	102	<b>10,912</b>
<b>Transactions with owners</b>								
Share Cancellation	(35)	-	35	-	(940)	<b>(940)</b>	-	<b>(940)</b>
Dividends to non-controlling interest	-	-	-	-	-	-	(119)	<b>(119)</b>
Distribution in specie	-	-	-	-	(7,027)	<b>(7,027)</b>	-	<b>(7,027)</b>

Share-based payments	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>(35)</b>	-	<b>35</b>	-	<b>(7,967)</b>	<b>(7,967)</b>	<b>(119)</b>	<b>(8,086)</b>
<b>At 31 December 2018</b>	<b>4,541</b>	-	<b>143</b>	<b>6,309</b>	<b>52,536</b>	<b>63,529</b>	<b>375</b>	<b>63,904</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	1,326	<b>1,326</b>	108	<b>1,434</b>
					1,326	<b>1,326</b>	108	<b>1,434</b>
<b>Other comprehensive income</b>								
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	1,369	<b>1,369</b>	-	<b>1,369</b>
Currency translation differences	-	-	-	208	3	<b>211</b>	40	<b>251</b>
<b>Total comprehensive income</b>	-	-	-	208	2,698	<b>2,906</b>	148	<b>3,054</b>
<b>Transactions with owners</b>								
Dividends to non-controlling interest	-	-	-	-	-	-	(60)	<b>(60)</b>
Share option cancellation	-	-	-	-	(16)	<b>(16)</b>	-	<b>(16)</b>
<b>Total contributions by and distributions to owners</b>	-	-	-	-	(16)	<b>(16)</b>	(60)	<b>(76)</b>
<b>At 30 June 2019</b>	<b>4,541</b>	-	<b>143</b>	<b>6,517</b>	<b>55,218</b>	<b>66,419</b>	<b>463</b>	<b>66,882</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. 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), IFRS IC interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. 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 2018 and which will form the basis of the 2019 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 16 "Leases" and the possible exception of IFRS 15 "Revenue from contracts with customers". The effect of IFRS 16 is set out in note 7. The application of IFRS 15 has not, to date, resulted in any

adjustment to the reported figures.

Certain statements in this announcement constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, amongst other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be construed as a profit forecast.

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 2018 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 2019 and 30 June 2018 is unaudited and the twelve months to 31 December 2018 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 financial assets at fair value through profit or loss. 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. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

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

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

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

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

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



## **Inventories**

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

## **Trade and other receivables**

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

## **Cash and cash equivalents**

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

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

## **Share capital**

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

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

**Financial liabilities**

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

**Trade and other payables**

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

**Borrowings**

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

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

**Current and deferred income tax**

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

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

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

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

the underlying temporary differences can be deducted.

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

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

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

### **Provisions**

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

### **Leases**

The Group has adopted IFRS 16 "Leases" for the first time. Details of the effect of this change in accounting policy are shown in note 7.

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. Assets held under operating 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.

### **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 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 (earnings before interest, tax, depreciation and amortisation, adjusted for exceptional items and share-based payments).

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

**Period ended 30 June 2019 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	11,777	11,722	1,305	-	24,804
Inter segment	(3,368)	-	-	-	(3,368)
<b>External revenue</b>	<b>8,409</b>	<b>11,722</b>	<b>1,305</b>	<b>-</b>	<b>21,436</b>
<b>Adjusted EBITDA</b>	<b>3,495</b>	<b>3,676</b>	<b>321</b>	<b>(1,908)</b>	<b>5,584</b>
Share-based payment	-	-	-	(573)	(573)
Exceptional items	231	-	-	(2)	229
<b>EBITDA</b>	<b>3,726</b>	<b>3,676</b>	<b>321</b>	<b>(2,483)</b>	<b>5,240</b>
Depreciation	(383)	(209)	(9)	(193)	(794)
Amortisation	(414)	-	-	(1,031)	(1,445)
<b>Operating profit/(loss)</b>	<b>2,929</b>	<b>3,467</b>	<b>312</b>	<b>(3,707)</b>	<b>3,001</b>
Net finance costs	(10)	-	14	(217)	(213)
Income tax	(299)	(265)	(66)	(162)	(792)
<b>Profit/(loss) for the period</b>	<b>2,620</b>	<b>3,202</b>	<b>260</b>	<b>(4,086)</b>	<b>1,996</b>
<b>Segment assets</b>					
Operating assets	40,258	25,941	583	22,448	89,230
Inter segment assets	(108)	-	-	(16,747)	(16,855)
External operating assets	40,150	25,941	583	5,701	72,375
Cash and cash equivalents	4,193	3,798	872	3,886	12,749
<b>Total assets</b>	<b>44,343</b>	<b>29,739</b>	<b>1,455</b>	<b>9,587</b>	<b>85,124</b>
<b>Segment liabilities</b>					
Operating liabilities	10,545	16,396	198	7,794	34,933
Inter segment liabilities	(4,701)	(12,154)	-	-	(16,855)
External operating liabilities	5,844	4,242	198	7,794	18,078
Borrowings	971	-	-	-	971
<b>Total liabilities</b>	<b>6,815</b>	<b>4,242</b>	<b>198</b>	<b>7,794</b>	<b>19,049</b>
<b>Other segmental information</b>					
Non-current assets - PPE	6,099	4,444	64	1,769	12,376
Non-current assets - Right-of-use assets	134	315	6	362	817
Non-current assets - Intangibles	27,184	13,212	99	264	40,759
Intangible assets -additions	355	25	-	-	380
PPE - additions	318	157	-	235	710
Right-of-use assets - additions	134	315	6	362	817

**Year ended December 2018 audited**

**Germany    USA        Russia    Other        Total**

	£'000	£'000	£'000	£'000	£'000
<b>Income statement</b>					
Revenue	21,937	23,478	2,687	5	48,107
Inter segment	(5,564)	-	-	-	(5,564)
<b>External revenue</b>	<b>16,373</b>	<b>23,478</b>	<b>2,687</b>	<b>5</b>	<b>42,543</b>
<b>Adjusted EBITDA*</b>	<b>6,291</b>	<b>7,824</b>	<b>762</b>	<b>(4,202)</b>	<b>10,675</b>
Share-based payment	-	-	-	(939)	(939)
Exceptional items	(580)	97	-	6,937	6,454
<b>EBITDA</b>	<b>5,711</b>	<b>7,921</b>	<b>762</b>	<b>1,796</b>	<b>16,190</b>
Depreciation	(847)	(271)	(24)	(16)	(1,158)
Amortisation	(2,137)	(1,096)	(13)	413	(2,833)
<b>Operating profit</b>	<b>2,727</b>	<b>6,554</b>	<b>725</b>	<b>2,193</b>	<b>12,199</b>
Net finance costs	(24)	-	15	(25)	(34)
Income tax	(327)	(1,064)	(170)	(305)	(1,866)
<b>Profit for the year</b>	<b>2,376</b>	<b>5,490</b>	<b>570</b>	<b>1,863</b>	<b>10,299</b>
<b>Segment assets</b>					
Operating assets	38,933	25,849	463	35,101	100,346
Inter-segment assets	(99)	-	-	(29,149)	(29,248)
External operating assets	38,834	25,849	463	5,952	71,098
Cash and cash equivalents	2,980	2,749	698	3,855	10,282
<b>Total assets</b>	<b>41,814</b>	<b>28,598</b>	<b>1,161</b>	<b>9,807</b>	<b>81,380</b>
<b>Segment liabilities</b>					
Operating liabilities	10,167	17,008	129	18,540	45,844
Inter-segment liabilities	(5,000)	(12,093)	-	(12,155)	(29,248)
External operating liabilities	5,167	4,915	129	6,385	16,596
Borrowings	880	-	-	-	880
<b>Total liabilities</b>	<b>6,047</b>	<b>4,915</b>	<b>129</b>	<b>6,385</b>	<b>17,476</b>
<b>Other segmental information</b>					
Non-current assets - PPE	6,204	4,779	73	1,413	12,469
Non-current assets - Intangibles	27,026	13,638	91	1,018	41,773
Intangible assets - additions	506	126	-	-	632
PPE - additions	501	659	47	13	1,220

**Period ended 30 June 2018 unaudited**

	Germany	USA	Russia	Other	Total
	£'000	£'000	£'000	£'000	£'000
<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	(210)	(199)
Income tax	67	(538)	(110)	(98)	(679)
<b>Profit/(loss) for the year - 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 year</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

\* 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



	<b>Unaudited 6 months ended 30 June 2019</b>	<b>Unaudited 6 months ended 30 June 2018</b>	<b>Audited Year ended 31 December 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Americas</b>			
United States of America	9,308	8,516	18,253
Rest of Americas	1,648	1,828	3,925
<b>Europe, Middles East and Africa (EMEA)</b>			
Germany	3,126	3,090	6,208
United Kingdom	231	135	324
Rest of Europe	1,810	1,869	3,583
Russia	1,305	1,198	2,687
Middle East	704	815	1,467
Africa	1,042	427	1,229
<b>Rest of World</b>			
China	361	427	994
Rest of Asia	1,847	1,989	3,751
New Zealand/Australia	54	63	122
<b>Total Revenue</b>	<b>21,436</b>	<b>20,357</b>	<b>42,543</b>

#### 4. Exceptional items

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

		<b>Unaudited 6 months ended 30 June 2019</b>	<b>Unaudited 6 months ended 30 June 2018</b>	<b>Audited year ended 31 December 2018</b>
	Note	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Exceptional items include:</b>				
- Business reorganisation costs	a	<b>(8)</b>	(9)	(120)
- Warranty claim	b	<b>237</b>	207	31
- Damages awarded	c	-	95	97
- A Webb loan	d	-	-	90
- Renalytix	f	-	-	6,356
Exceptional items		<b>229</b>	293	6,454

- (a) Costs associated with the reorganisation of the business
- (b) Warranty claim in relation to the acquisition of EKF-diagnostic GmbH
- (c) Damages awarded as a result of litigation brought against a customer

#### 5. Income tax

	<b>Unaudited 6 months ended 30 June 2019</b>	<b>Unaudited 6 months ended 30 June 2018</b>	<b>Audited Year ended 31 December 2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current tax</b>			
Current tax on profit/loss for the period	(782)	(780)	2,248
Adjustments for prior periods	(274)	-	5
<b>Total current tax</b>	<b>(1,056)</b>	<b>(780)</b>	<b>2,253</b>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	264	101	(387)
<b>Total deferred tax</b>	<b>264</b>	<b>101</b>	<b>(387)</b>
Income tax (charge)/credit	<b>(792)</b>	<b>(679)</b>	<b>1,866</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.

	<b>Unaudited 6 months ended 30 June 2019</b>	<b>Unaudited 6 months ended 30 June 2018</b>	<b>Audited year ended 31 December 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Profit attributable to owners of the parent</b>	<b>1,326</b>	956	10,110
Weighted average number of ordinary shares in issue	<b>454,093,227</b>	457,554,636	457,207,272
Effect of dilutive potential ordinary shares	<b>4,339,557</b>	4,228,348	4,282,345
Weighted average number of ordinary shares - diluted	<b>458,432,784</b>	461,782,984	461,489,617
	Pence	Pence	Pence
<b>Basic</b>			
From continuing operations	<b>0.29</b>	0.21	2.21
Share of loss associated with available-for-sale assets	-	(0.06)	-
Profit per share	<b>0.29</b>	0.15	2.21
	Pence	Pence	Pence
<b>Diluted</b>			
From continuing operations	<b>0.29</b>	0.21	2.19
Share of loss associated with available-for-sale assets	-	(0.06)	-
Profit per share	<b>0.29</b>	0.15	2.19

## 7. Change in accounting policies

The Group has adopted IFRS 16 from 1 January 2019 but it has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

### **Adjustments recognised on adoption of IFRS 16**

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases.' The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 0%.

	<b>2019</b>
	<b>£000</b>
Operating lease commitments disclosed as at 31 December 2018	663
Adjustments	299
<b>Lease liability recognised as at 1 January 2019</b>	<b>962</b>
Of which are:	
Current lease liabilities	358
Non-current lease liabilities	604
<b>Lease liability recognised as at 1 January 2019</b>	<b>962</b>

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

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of asset:

	<b>30 June 2019</b>	<b>1 January 2019</b>
	<b>£000</b>	<b>£000</b>
Properties	<b>670</b>	763
Equipment	<b>69</b>	99
Motor vehicles	<b>78</b>	100
<b>Total right-of-use</b>	<b>817</b>	962

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

- Right-of-use assets - increase by £962,000
- Lease liabilities - increase by £962,000

### **Adjustment recognised on adoption of IFRS 16**

#### *Practical expedients applied*

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments of whether leases are onerous;
- the accounting for operating leases, with a remaining lease term of less than 12 months as at 1 January 2019, as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application, Instead, for contracts entered into before the transition date, the group relied on its assessment made in applying IAS 17 and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

## 8. Intangible Fixed Assets

Group	Goodwill £'000	Trademarks trade names & licences £'000	Customer relationships £'000	Trade secrets £'000	Develop- ment costs £'000	Total £'000
<b>Cost</b>						
At 1 January 2018	26,999	3,169	15,721	18,987	9,210	74,086
Additions	-	59	-	-	187	246
Elimination	-	-	-	-	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>15,863</b>	<b>18,955</b>	<b>9,624</b>	<b>74,591</b>
Additions	-	14	-	-	372	386
Elimination	-	-	-	-	(86)	(86)
Disposals	-	-	-	-	(646)	(646)
Exchange differences	471	166	431	204	98	1,370
<b>At 31 December 2018</b>	<b>27,543</b>	<b>3,257</b>	<b>16,294</b>	<b>19,159</b>	<b>9,362</b>	<b>75,615</b>
Additions	-	197	-	-	183	380
Reclassification/transfer	-	-	-	-	-	-
Exchange differences	21	(6)	82	(24)	(15)	58
<b>At 30 June 2019</b>	<b>27,564</b>	<b>3,448</b>	<b>16,376</b>	<b>19,135</b>	<b>9,530</b>	<b>76,053</b>
<b>Amortisation</b>						
At 1 January 2018	2,603	2,174	7,881	11,672	6,156	30,486
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>8,585</b>	<b>12,107</b>	<b>6,403</b>	<b>31,967</b>
Exchange differences	33	22	214	108	178	555
Charge for the period	-	200	690	476	40	1,406
Reclassification/transfer	-	-	-	-	(86)	(86)
<b>At 31 December 2018</b>	<b>2,631</b>	<b>2,496</b>	<b>9,489</b>	<b>12,691</b>	<b>6,535</b>	<b>33,842</b>
Exchange differences	-	(18)	58	(13)	(20)	7
Reclassification/transfer	-	-	-	-	-	-
Charge for the period	-	171	664	459	151	1,445
<b>At 30 June 2019</b>	<b>2,631</b>	<b>2,649</b>	<b>10,211</b>	<b>13,137</b>	<b>6,666</b>	<b>35,294</b>
Net book value						
<b>30 June 2019</b>	<b>24,933</b>	<b>799</b>	<b>6,165</b>	<b>5,998</b>	<b>2,864</b>	<b>40,759</b>
<b>31 December 2018</b>	<b>24,912</b>	<b>761</b>	<b>6,805</b>	<b>6,468</b>	<b>2,827</b>	<b>41,773</b>
<b>30 June 2018</b>	<b>24,474</b>	<b>803</b>	<b>7,279</b>	<b>6,848</b>	<b>3,220</b>	<b>42,624</b>

## 8. Dividends

No dividends to shareholders of the holding company were provided or paid during the six months to 30 June 2019 (six months to 30 June 2018 and year to 31 December 2018: both £nil). In light of the continued strong cash generation, the Board now intends to recommend a dividend of 1p per share in respect of the financial year ended 2019 which will be subject to shareholder approval at the next Annual General Meeting ("AGM") to be held in H1 2020.

## **9. Availability of this announcement**

This announcement is available from the Company's website, [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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