Annual Report 2021

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COMPANIES HOUSE

EKF Diagnostics

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Financial and Operational Highlights

2021 - Key points

Financial Highlights

- Revenue up 25% to £81.8m (2020: £65.3m)
- Core[1] business revenues up 14% to £42.1m (2020: £37.1m)
- Gross profit up 5% to £39.4m (2020: £37.4m)
- Adjusted EBITDA[2] up 4% to £26.5m (2020: £25.5m), reflecting the changes in the mix of Contract Manufacturing related products as well as increased costs in the supply chain
- Profit before tax of £21.4m (2020: £15.4m), including effect of share-based payments
- Basic earnings per share of 3.47p (2020: 2.45p)
- Cash generated by operating activities of £10.2m (2020: £13.8m)
- Cash at 31 December 2021 of £20.3m (2020: £21.9m), net cash after borrowings of £19.6m (2020: £21.4m)
- Value of investments in marketable securities at year end of £7.6m (2020: £6.5m)
- Cash dividend of £5.1m paid to shareholders, equivalent to 1.1p per ordinary share (2020: 1.0p per share)

Operational Highlights

- Focus on returning core business to pre-pandemic 2019 levels and positioned for future sustainable growth outside of short-term contract manufacturing
- New reporting of business division revenues:
  - **Point-of-Care** - up 18% to £27.0m
  - **Central Laboratory** - up 7% to £13.1m
  - **Life Sciences** - up 3% to £2.0m
  - **Contract Manufacturing** - up 38% to £36.3m, driven by COVID sample collection kits manufacture
  - **Laboratory Testing Services** - ADL Health contributed £1.0m following acquisition in September 2021
- Significant investment in South Bend, Indiana, facility to expand EKF Life Sciences' fermentation capabilities
- $10m acquisition of ADL Health, an earnings enhancing and cash generative CLIA certified testing laboratory

[1] *Core business includes Point of Care, Central Laboratory and Life Sciences*

[2] *Earnings before interest, tax, depreciation and amortisation, share-based payments and exceptional items, as laid out in the income statement*

2021 Revenues

	2021	2020	[illegible]
Revenue (£m)	**£81.8**	£65.3	25%
Net cash (£m)	**£19.6**	£21.4	(8%)
Adjusted EBITDA (£m)	**£26.5**	£25.5	4%

Annual revenues **£m**

25%

Increase in revenues year on year

POINT OF CARE REVENUES

FY 2021
£27,003 (£k)

+18%

FY 2020
£22,946 (£k)

CLINICAL CHEMISTRY REVENUES

FY 2021
£13,055 (£k)

+7%

FY 2020
£12,152 (£k)

CONTRACT MANUFACTURING REVENUES

FY 2021
£36,308 (£k)

+38%

FY 2020
£26,323 (£k)

LAB SERVICES REVENUES

FY 2021
£1,030 (£k)

ACQUIRED IN 2021

LIFE SCIENCES REVENUES

FY 2021
£2,019 (£k)

+3%

FY 2020
£1,959 (£k)

At a Glance

Commentary

EKF Diagnostics Holdings plc ("EKF Diagnostics" or just "EKF") is a global medical diagnostics business with a long history in point-of-care testing and manufacturing reagents for use in central laboratories. In 2020-21, in response to the COVID-19 pandemic, EKF grew its contract manufacturing business to provide sample collection kits and consumables for private and public sector customers in the USA and Europe.

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

The POC business is built around a large installed base of analysers each of which generates a regular demand for tests, often for the entire life cycle of the analyser. During 2020, prior to the release of COVID-19 vaccines and during the height of the pandemic restrictions, demand for analysers and tests dropped. In 2021, as expected, this trend was reversed. Sales of analysers increased by 44% and tests by 29% as customers around the world began to return to normal levels of business. It is worth noting however that some business took longer to return than others. For example in some countries, particularly India, anaemia screening programmes did not return to their pre-pandemic levels in 2021 due to the speed of vaccine roll-out and the need to ensure outbreaks were contained.

The EKF Central Laboratory range includes clinical reagents and centrifuges which are manufactured at premises near San Antonio, Texas. Clinical chemistry reagents are sold for use on open channel systems or on EKF's own brand of analysers. During 2020-21 laboratories around the world were consumed with the testing demands of COVID-19. Business has returned in this sector but at a lesser rate than that of Point of Care. The recovery in sales has also been impacted by delays in the supply chain for plastics and chemicals used in some reagents.

EKF Life Sciences, based in Elkhart and South Bend, Indiana, manufactures diagnostic enzymes and contracted custom products for use in medical diagnostics, pharmaceuticals and industry. Due to the demand for COVID-19 testing kits the South Bend site was repurposed as a kitting facility. Similarly capacity for kitting and bulk formulation of PrimeStore® MTM and PBS was added in Boerne, Texas whilst new contract manufacturing production facilities were put in place in Cardiff, UK and Magdeburg, Germany.

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

2021 Sales

ANALYSERS SOLD (Point-of-Care)

2021
16,111

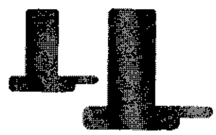
+44%

2020
11,167

TESTS SOLD (Point of Care)

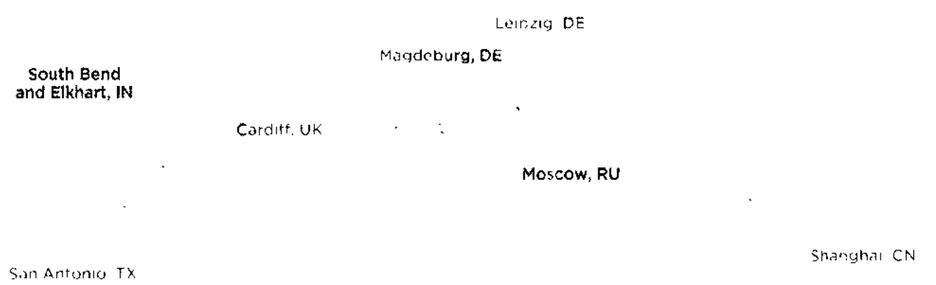
2021
83,875,325

+29%



2020
65,014,470

Geographical Performance



Revenue	FY 2021	FY 2020	+/- (£k)

Point-of-Care: Hematology

Product Portfolio

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

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

Hemo Control™

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

DiaSpect Tm

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

DiaSpect Hemoglobin T Low

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

UltraCrit™

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

HemataStat II™

- Laboratory hematocrit centrifuge and analyser
- Processes multiple samples

Point-of-Care: Diabetes

Product Portfolio

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

Diabetes has been at the core of EKF's strategy for over a decade starting with the early models of the Biosen glucose analysers.

Later, Quo-Test and Quo-Lab were launched to address the diabetes screening market.

Biosen™

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

Quo-Lab® A1c

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

Quo-Test® A1c

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

Point-of-Care: Other

Product Portfolio

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

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

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

Pregnancy Testing

- Cassette rapid tests
- Marketed for use in hospital settings

Lactate Scout 4

- Handheld lactate analyser
- Results in 10 seconds
- Developed for use in sports medicine

Central Laboratory

Product Portfolio

EKF, through its wholly owned subsidiary Stanbio Laboratory, has had a presence within central laboratory dating back over 60 years. During this time it has built a global customer base for its clinical chemistry reagents that can be used on most open-channel analyser platforms.

The Central Laboratory portfolio includes reagents, controls and calibrators for a wide range of popular pathology tests. Each one is manufactured at EKF's facility in Boerne, Texas from where it is despatched to customers around the world.

Altair™ 240

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

β-Hydroxybutyrate LiquiColor & STAT-Site WB

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

Lucica Glycated Albumin-L

- Specific test for Glycated Albumin
- Very sensitive to glycation by glucose and other sugars
- Exclusive to EKF in the USA

Contract Manufacturing and Life Sciences

Product Portfolio

EKF Diagnostics worked with leading epidemiology organisations during 2020 and 2021 to develop a portfolio of exceptionally high quality products that addressed the needs of the market and helped turn the tide in the battle against COVID-19.

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

EKF Life Sciences has received a significant investment in plant to allow it to grow the services and products it provides and agreed a lease to expand manufacturing capacity at South Bend in 2019. This facility will allow EKF Life Sciences to fulfil larger bulk orders than was previously possible as well as provide additional bottling and warehouse space. Work to get this facility operational was delayed by the demand for COVID-19 testing products but has recommenced in 2022.

Molecular transport media

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

Sample collection kits

- For use at home or on-site
- Includes a vial of viral transport media and a flocked swab
- Test for multiple virus' from one sample

Enzyme fermentation

- $10m investment throughout 2021-22 in South Bend, Indiana plant
- Up to 14,500 litre capacity fermenters
- FDA registered. Certified ISO 13485: 2016 facility

Lab Services

ADL Health

EKF Diagnostics acquired San Antonio based lab services business ADL Health in 2021. ADL Health has been primarily focused on COVID-19 testing services for private business and individuals since its inception in 2020.

ADL has experienced continued demand for COVID-19 testing services in 2022, particularly as a service provider for large events. However, as the demand for COVID-19 testing declines ADL will focus on introducing new tests throughout 2022 including NIPT, Calprotectin, Drugs of Abuse, cannabinoid and a variety of oncology, pathogen and infectious diseases utilising Next Generation Sequencing.

Chairman's Statement

2021 has been another record-breaking year for EKF, with revenue increasing by 25% to £81.8m (2020: £65.3m), and core business revenues returning to pre-pandemic levels. We have delivered another strong earnings performance with £26.5m of adjusted EBITDA generated in the year (2020: £25.5m) and basic earnings per share having improved materially at 3.47p per share (2020: 2.45p). Cash levels remain strong with net cash after borrowings of £19.6m (2020: £21.4m), despite considerable investment (£5.6m compared with 2020: £2.1m) to drive the future growth of the business and shareholder value generation outside of COVID-related contract manufacturing revenues.

The story of 2021 has been one of expansion, including laying the foundations for further growth: building on our successes in 2020; building on the capabilities that we developed in response to COVID and readying them to be applied to new areas; building new facilities and structures to support a return to growth across our core business; and building a new leadership team to drive the business forward.

It is our current view that COVID-related revenues from contract manufacturing will materially reduce in 2022, given the rapid step-back in testing requirements across global markets. COVID-related revenues were always going to be of indeterminate duration and quantity, so our focus and strategy have already turned to positioning the business to deliver growth across all core business areas, whilst redirecting the capabilities developed for COVID into other activities. We are delighted to report that in 2021 every single product group delivered year-on-year growth and the expansion of contract development and manufacture of diagnostic test kits, along with the laboratory acquisition in the United States, positions us well for capturing further work in other healthcare applications.

The short-term benefits derived from our COVID-related contract manufacturing success has allowed the Group to fuel growth by investing in facilities and equipment for the future, as well as the acquisition of a new business in an area which not only widens our offering but also brings synergy potential by adding to the relationships and abilities we have gained over the last two years. We remain confident in our strategy for growth to 2024 and we believe that the core business alone has the potential to deliver significant revenue growth without reliance on COVID in that timescale and we are focussed on developing a sustainable business that can deliver EBITDA growth over the next three years.

Strategy

In May last year, we announced our strategy for delivering growth to 2024 and beyond, and continuing to deliver shareholder value. The strategy for growth has been updated and can be summarised as:

- continuing innovation in products and services in Point-of-Care, Central Laboratory and Life Sciences leveraging new and existing routes to market and relationships;
- investment in expanded production and kitting capabilities to offer a suite of diagnostic Contract Manufacturing solutions to third party businesses;
- expansion of CLIA Laboratories Testing offering building on the acquired capabilities in ADL Health; and
- identify complementary earnings-enhancing acquisitions with key strategic value.

We also believe we can continue to generate enhanced shareholder value through:

- a progressive dividend policy; and
- our agreement with Mount Sinai Innovation Partners ("MSIP"), which allows us advanced access to innovative commercial opportunities and where we can build on the ongoing successes of Renalytix plc, Verici Dx plc and Trellus Health.

The operational performance of our business, and the COVID-related contract manufacturing business, are outlined in the Chief Executive Officer's Review. This also focusses on the progress we have made in positioning the business for growth and the execution of that strategy, including our recent acquisition in the laboratory testing space.

MSIP Preferred Partnership Agreement and related activities

Our Preferred Partnership Agreement, signed with MSIP in 2019, provides us with advanced access to innovative commercial opportunities arising from Mount Sinai Health System owned technologies in the field of healthcare technologies. This partnership has already led to the development of three new businesses, all of which are listed on AIM, with Renalytix plc shares also trading on Nasdaq as RNLX:

- **Renalytix plc (AIM: RENX)**, the developer of artificial intelligence-enabled diagnostics for kidney disease;
- **Verici Dx plc (AIM: VRCI)**, a developer of advanced clinical diagnostics for organ transplant; and
- **Trellus Health plc (AIM: TRLS)**, a resilience-drive healthcare company working to transform the way complex

Chairman's Statement *(continuation)*

chronic conditions are treated through whole-patient care, with an initial focus on Inflammatory Bowel Disease (IBD).

Trellus Health plc's IPO was completed in May 2021, with EKF's retained voting rights being transferred to shareholders. Based on the IPO issue price of 40p this transfer represented a distribution of £11.2m to EKF shareholders. The value of our remaining holding in Renalytix plc (1.39%) was worth £6.2m at 31 December 2021 (2020: £4.9m).

Our initial holding in Verici Dx plc ("Verici"), which we received by way of a dividend from Renalytix plc during 2020, was worth £1.4m (2020: £1.5m) at year end. On 7 March 2022, we announced that we had agreed to invest a further £2.5m by participating in Verici's secondary fundraising. This additional funding round will accelerate the progress Verici has already made to date towards commercial launch of its two lead products, as well as the development of its third product and expansion of other capabilities. Following this funding exercise we *currently own 5.77% of Verici's enlarged share capital.* It remains our stated intention to distribute this enlarged holding to underlying shareholders as soon as reasonably practicable and subject to appropriate arrangements to maintain an orderly market in Verici's shares following such distribution.

We will continue to consider additional investment in the existing stable of spin-outs and to explore other opportunities with MSIP and will update shareholders should any of these prospects become candidates with the potential to deliver further value to our investors.

Dividend

In December 2021, the Company paid a cash dividend of 1.1p (2020: 1.0p) per share as a final dividend for 2020, a total pay-out of £5.1m (2020: £4.6m). We are pleased to confirm that, given the progress in EKF's business and its strong cash generation, we intend to make a further dividend payment to shareholders of 1.2p per ordinary share in respect of the performance of the business in 2021. If approved by shareholders at the Company's next Annual General Meeting, payment will be on 1 December 2022.

Share capital

During the year to 31 December 2021, we did not utilise the permission we obtained from shareholders to make on-market purchases of shares for cancellation or otherwise. The Board has subsequently today announced plans to undertake a targeted exercise to buy back up to up to a maximum of 9,000,000 shares (subject to a maximum spend of approximately £4.0 million) and we believe this is an appropriate use of our cash reserves and an effective means of further improving shareholder value (the "Buyback").

The purpose of the Buyback is to return cash to shareholders and to reduce the share capital of the Company. The Buyback will be funded from the Company's existing surplus cash resources and all ordinary shares of 1p each in the capital of the Company (the "Ordinary Shares"), purchased will be held in treasury. Any repurchases made following the Company's next AGM being held on 18 May 2022 will be conditional upon a further shareholder approval of the Company's general buyback authority being obtained at that meeting and subject to the limit of 69,589,585 Ordinary Shares, or such other number as would represent approximately 15 per cent of the Company's issued share capital at the time of issue of notice of the 2022 AGM. The Company currently intends to operate the Buyback from *the date of this announcement until the earlier of:- the date* on which purchase of 9,000,000 Ordinary Shares has been completed; the date of the 2022 Annual General Meeting in the event further shareholder approval is not obtained; or 31 December 2022.

Board changes

It has been a year of significant change at Board level in EKF, we believe we have a newly focussed Executive team with an excellent track record for delivering and managing substantial growth in the Lifesciences and Healthcare sector, as well an experienced and complementary non-executive team to provide appropriate challenge and support to them as they execute our growth strategy into 2024.

Mike Salter, Chief Executive Officer

Mike Salter, who led our US operations since joining EKF in October 2017 and has been instrumental in delivering much of the growth we have seen in this region, became Chief Executive Officer on 1 October 2021. Mike is an organic Chemist by training, and based in San Antonio, Texas and previously headed up our Americas business. Mike was responsible for overseeing the growth of our Diabetes and Haematology business in the US and, by leveraging his business network, he secured licensing agreements, built production capacity and signed orders for our COVID-19 sample collection kit business. Mike has been a passionate leader of our US team and has been instrumental in securing many of our largest US contracts and growth opportunities and was selected as the ideal candidate to deliver our strategy of accelerated organic growth.

Mike has over 35 years of experience in the Life Science and Diagnostics Industry. He joined Amersham plc, the UK's largest Life Science company, in 1984 and spent 20 years in various Operational, Product Management and Business Development roles. When Amersham was acquired by GE in 2004 to become GE Healthcare, Mike moved into senior commercial and business development roles leading new strategic Diagnostic initiatives. In 2016, Mike became General Manager of the Global Custom Genomics Business. Throughout his time at GE Healthcare, Mike managed a successful multi-million dollar business providing Biotech and Lifesciences companies with products and services to support the development and launch of their new products. At EKF in his role as President, Americas, Mike was responsible for delivering over $20m of new contract manufacturing revenues from the US operations.

Marc Davies, Chief Financial Officer

Marc Davies, joined as Chief Financial Officer on 1 January 2022, having moved on from his role as Group Finance and Operations Director at Flexicare Medical ("Flexicare"), a medical device designer, manufacturer and supplier. At Flexicare Marc was responsible for overseeing a period of substantial revenue growth, driven by both organic performance and acquisition. During his five years at

Chairman's Statement *(continuation)*

Flexicare, Marc led several corporate finance transactions including post-transaction integration.

Previously, Marc was a Corporate Finance Director at PwC, providing mid-market private business and private equity focused corporate finance advice as Head of the PwC West and Wales Corporate Finance Team. Before joining PwC in February 2013, Marc was an AIM focussed Corporate Finance Adviser for over five years, during which he spent four years at WH Ireland, including work within its Nominated Adviser function. Marc began his career in finance as part of the PwC Corporate Recovery team. Marc is a Fellow Chartered Accountant (FCA) and an Oxford graduate with an MSc in Mathematical Modelling and Scientific Computation and an MA in Mathematical Science.

Mike and Marc replaced Julian Baines, MBE, co-founder of EKF in its present form, and Richard Evans respectively. We cannot thank Julian enough for his leadership and hard work on behalf of EKF's shareholders over the previous 12 years. He remains on the Board as Non-Executive Deputy Chair. Our thanks also go to Richard for the guidance he has given the Board and the Group over the significant time he has spent with us.

We also welcomed two new Non-executive Directors: Christian (Chris) Rigg, a chartered accountant with experience in listed businesses at Chief Executive Officer, Chief Financial Officer and Non-executive Director level, and Jenny Winter, currently Chief Executive of Animalcare Group plc, an AIM listed animal healthcare group.

Our thanks also go to the Non-executive Directors who have retired through the year. Adam Reynolds was a Director of the business in its previous guise as a sports products company, and has provided sage advice over the long term since the EKF business reversed into International Brands plc as it was then known. Carl Contadini has served on the Board since 2016 and offered invaluable input to the operations of the business throughout that time. We thank them both for their valued contributions.

The Board now comprises six members - two Executive Directors and four Non-executive Directors:

- Mike Salter, Chief Executive Officer
- Marc Davies, Chief Financial Officer
- Christopher Mills, Non-executive Chairman
- Julian Baines, Deputy Non-executive Deputy Chairman
- Christian Rigg, Senior Independent Non-executive Director
- Jenny Winter, Independent Non-executive Director

We believe that Executive and Non-executive Directors have the right mix of skills and expertise to lead our excellent team around the World to attain our objectives for continuing success.

The Board believes that the revised make-up of the Board is appropriate. We have adopted the Corporate Governance Code issued by the Quoted Company Alliance. Further details of compliance are found in the Corporate Governance Statement and on the Company's website.

Cash-settled share-based incentive

The Company has for some years operated a cash-settled, share price based incentive for its executive directors (the "Incentive"), designed to pay out in the event that the Company was acquired by a third party (an "Exit"). During the present year EKF shareholders have benefited from very strong increases in value through the improved performance of the Group and the investment opportunities that we have followed. Reflecting this continued delivery of value to shareholders by the Executive Directors, EKF's Remuneration Committee determined that, in the absence of any other performance related pay mechanism, it was appropriate to distribute, as performance-related pay, a portion of the amount that would otherwise be payable under the Incentive on an Exit. The Executive Directors each received an equal payment of £0.5m million in January 2021, followed by a final equal payment of £2.0m each in July 2021. After these payments, the original scheme was terminated, as was the similar scheme for Mr Salter, from which no payments were made. As a result of the terminations, the fair value amount accrued but unpaid relating to the schemes totalling £1.9m was written back through the income statement.

In September 2021 Mr Salter was granted a replacement cash settled share-based incentive award. The new award vests if a controlling interest in the Company is acquired by a third party at any time. In these circumstances an award is payable to Mr Salter, which increases by reference to the sale price achieved. It is anticipated that this scheme will be extended to include Mr Davies in due course.

Outlook

2021 was a year that delivered record revenue and adjusted EBITDA performance. Our key focus remains on implementing our strategy to position our core business for sustainable future growth, utilising cash generated from short-term contract manufacturing activities. At the end of 2019 and pre-pandemic we had a core business that generated revenues of £43.3m and an adjusted EBITDA of £12.0m. The results for 2021 show that our core business revenues were broadly in-line with these levels and we have already implemented our investment plans to support growth in our core business in 2022.

We are particularly excited about the prospect of our recent acquisition in the laboratory testing space. Not only is this earning enhancing and cash generative, but also an excellent strategic fit within our existing diagnostics offering that will strengthen our offering to our customer base. The investment in additional fermentation will also drive organic growth as our larger volume enzyme production capacity comes on-line this year.

Current trading is strong and we expect to deliver a solid first quarter performance in line with that of 2021. However, we are adopting a pragmatic view that there will be a significant reduction in pandemic-related contract manufacturing activity for the remainder of the year. The new management team is keenly focused on delivering the growth plan through to 2024 which assumes no benefit from further COVID-related manufacturing, but instead is targeting sustainable revenue growth in our expanded core operations.

Christopher Mills

Christopher Mills
Non-executive Chairman

29 March 2022

Chief Executive Officer's Review

I am delighted that we have delivered record results for 2021, with significant year-on-year revenue growth (up 25% from £65.3m in 2020 to £81.8m).

I am also proud that the team was again able to rapidly react and support the growing need for sample collection devices, kits and sample media to support the testing needs triggered by the global pandemic.

A significant proportion of EKF's top line growth in 2021 has come from COVID-related contract manufacturing, which is an area of the business that we anticipate will reduce in prominence as the world begins to 'live with COVID' and governments significantly reduce their ongoing testing requirements. However, we have now positioned ourselves as a leading provider of products and services to support any future testing demand whether COVID related or other public health requirement.

More significant for the outlook for the business is the fact that, during 2021, revenues from our core business increased 14% to £42.1m (2020: £37.1m) with growth across all key product verticals. These business revenue levels also see us broadly in-line with pre-pandemic revenue levels as seen in 2019 and the core business represents a compelling platform in its own right. Having focussed on recovering the existing core business to previous levels, we believe this progress, coupled with investments already made, and additional future investments, will fuel sustainable growth across our business.

Operational overview

As a new management team, we have taken the opportunity to recalibrate how we report revenues going forward to more closely align with our product groups and the way in which business divisions report into senior management. These are shown below:

Key products/services	
Point-of-Care Providing a portfolio of analyser and consumables, particularly for use in Hematology and Diabetes	*Hematology:* Hemo Control, DiaSpect Tm, HemataStat II, Ultracrit *Diabetes:* Biosen C-Line, Quo-Lab A1c, Quo-Test A1c, STAT-Site WB) *Other:* Creamatocrit Plus, Pregnancy Tests, Lactate Scout, Uri-Trak
Clinical chemistry Clinical chemistry, Small lab analysers, Centrifuges	Beta-Hydroxybutyrate LiquiColor, Glycated Albumin, Glycated Serum Protein, Nitro-tab, Procalcitonin
Life Sciences	Enzyme fermentation, custom products and bulk fermentation
Contract Manufacturing	Bulk formulation, Sample collection kits, private labelling, molecular and forensic kits
Laboratory Services	Following the acquisition of Advanced Diagnostic Laboratory LLC ("ADL Health") CLIA certified facility

Division [illegible]	2021 Revenue	[illegible]
Point-of-Care	**27.0**	22.9
Central Laboratory	**13.1**	12.2
Life Sciences	**2.0**	2.0
Contract Manufacturing	**36.3**	26.3
Laboratory Services*	1.0	-

*contribution from 27 September 2021

Chief Executive Officer's Review *(continuation)*

Point of Care

Sales of our hemoglobin analyzers Hemo Control and DiaSpect Tm showed strong growth as blood banks and anaemia programmes came back online. Our HemataStat product, meanwhile, showed significant growth of 29% as we see a return to normality. We have also seen growth across all our diabetes instrument ranges, with revenues overall increasing by 13%, driven by high growth from our Quo-Test product line.

Professional sports medicine has been returning to normal as shown by a 27% increase in Lactate Scout revenues. We have continued development work for our clinically focussed Response product.

For 2022, we are looking forward to healthcare and customer development programmes returning to normal.

Central Laboratory

β-HB LiquiColor sales remain strong and increased by 8% contributing the majority of growth in this area, with sales of other chemistry products broadly flat, due to customers concentrating on COVID-related business revenues. We now expect these to come back on stream during the course of 2022.

Life Sciences

Across contract fermentation and other non-COVID related contract manufacturing, sales remained flat at £2.0m. We continue to see a strong pipeline of opportunities to supply contract manufacturing services from our Elkhart and South Bend sites, in Indiana, and have committed resources to add capacity.

To take advantage of a demand-driven opportunity in the research and molecular enzyme areas, as well as food grade fermentation digestive proteins area, we are investing around $10m in the construction and installation of new 1,500L, 3,000L and 14,500L fermenters by third party, specialist turn-key contractors. We expect this to support significant revenues growth in this area by 2024.

Contract Manufacturing

Once again, the majority of our contract manufacturing revenues related to supporting testing requirements in relation to the Global Pandemic. The market dynamics for COVID test collection kits changed during 2021 and to meet demand our focus switched from sales of reagents for molecular transport media, which had characterised our activities in 2020, to the manufacture of filled tubes and sample collection kits. While the revenues from these product lines increased significantly, the nature of these products meant that the gross margin percentages were lower. As governments across the world changed their responses to COVID, often at very short notice, we and our customers were required to be extremely flexible to vary activity levels in response to demand which often changed overnight.

Our sample collection related revenues at the beginning of the current year have held up well, however we expect to see this specific revenue line significantly decrease over the year as the demand for testing drops. We have continued to use temporary workers and to add facilities on short term bases where possible to limit our risk. We have developed excellent transferable and scalable skills as a result of our pandemic response, and we are looking forward to applying these skills to new areas. We have identified a number of potential opportunities through partners which we believe have great potential going forward and are working hard to bring these to fruition.

Upon review of COVID related stock at year end we have increased our overall inventory provision by a further £384k. We believe this is prudent given the anticipated decrease in COVID related activities.

Laboratory Services

On 27 September 2021, we acquired ADL Health, a San Antonio based CLIA certified testing laboratory focussed on high complexity testing and covering the fields of clinical, forensic and microbiological tests. Using its expertise in Polymerase Chain Reaction (PCR) testing, ADL Health also provides COVID testing needs for dozens of Fortune 500 companies and government agencies. ADL Health is expanding its range of testing capabilities across a broader suite of healthcare applications.

The cost of acquisition of ADL was an initial $10m largely funded through the issue of ordinary EKF shares after a working capital true-up payable in cash, with the consideration shares subject to a phased lock-in and orderly market agreement, plus contingent consideration based on the achievement of certain earnings targets over the following three years. The ADL Health business is cash generative and is expected to have a strong first quarter significantly exceeding revenues recorded in the final quarter of 2021.

The EKF Board believes that ADL Health's wider testing offer, including current and planned capabilities, provides an attractive platform to both complement and broaden the Group's existing diagnostics offering. Having CLIA lab capacity in-house also provides us with a means to strengthen our customer relationships by providing wider testing services, and allows us to build synergistically on the relationships with industry leaders that we have developed over the last two years.

Since the acquisition, we have already secured a strategic partnership with our existing customer, Yourgene Health plc, whereby ADL Health will offer a non-invasive pre-natal testing (NIPT) service to the US market, utilising Yourgene's proprietary technology and ADL Health's accredited US laboratory to process returned samples.

ADL Health contributed £1.0m to 2021 revenues, following its acquisition on 27 September 2021.

In addition to the above business divisions there was a further £2.4m revenues related to shipping and handling recharges, repairs and other sundries (2020: £1.9m).

Regulatory update

Our regulatory team is fully committed to meet the new requirements of the In Vitro Diagnostic Regulation (IVDR) which affects all our products in the EU. We have adapted to the significant changes the IVDR bring such that we are ready to meet the immediate requirements in May 2022, and have a defined plan for the amended transitional provisions as published in January. For the UK, to meet the requirements of the MHRA we have established the UK Responsible Person for our non-UK operating entities, and are set to meet UKCA marking requirements.

Russia and Ukraine

EKF owns 60% of O.O.O. EKF Diagnostika, a distribution subsidiary located in Moscow which sells EKF Point-of-Care products and other third-party products into Russia and neighbouring states. As a supplier of medical products

Chief Executive Officer's Review *(continuation)*

with no dual use it would not be appropriate to end supplies to the region, but we are seeing some disruption caused by the Western sanctions relating to foreign exchange controls. We are working with the staff and management of this business to keep it as stable as possible, but we have already discounted sales from this region from our growth forecasts as a precaution. Financial details of our business in Russia, which represents less than 5% of Group revenue and Adjusted EBITDA at the consolidated level, are shown in the segmental analysis in Note 3.

We also have a distributor in Ukraine with whom we have worked for some years, we wish that all our friends in Ukraine stay safe and well. We also have a distributor in Belarus. Neither represent a significant part of our business.

Summary

We are absolutely delighted with the performance of our core business over the last twelve months and the cash generated from contract manufacturing has allowed us to invest in future growth opportunities - both organically, particularly in the area of enzyme production, but also through acquisition with the addition of ADL to the Group and the exciting prospects that adding a laboratory testing capacity to our overall offering opens up for us.

When I became CEO in October 2021, we had set out ambitious growth plans for EKF that would see the core business positioned to deliver substantial growth in both revenues and adjusted EBITDA. We can already see the signs of this strategy coming to fruition and I am confident that the investment put in place will see further progress in 2022 and beyond.

As a Board we remain confident in delivering on our strategy for growth into 2024 and I welcome the support from my colleagues and investors alike, as we continue to focus on execution of our plans to generate value for shareholders.

Mike Salter
Chief Executive Officer

29 March 2022

Chief Financial Officer's Review

Revenue

Revenue for 2021 was £81.8m (2020: £65.3m), an increase of 25% on the prior year. At constant 2020 exchange rates, revenue for the year excluding ADL would have been £85.5m, an organic growth rate of 29%.

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

	2021 £'000	2020 £'000	[illegible]
Germany	34,171	20,286	+68%
USA	36,056	37,692	(4%)
UK	8,323	4,378	+90%
Russia	3,286	2,904	+13%
Total	**81,836**	**65,260**	**+25%**

	Revenue £'000	EBITDA* [illegible]
Germany	34,171	11,480
USA	36,056	12,735
UK	8,323	1,293
Russia	3,286	981
Total	**81,836**	**26,489**

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

Germany - Significant revenue increase primarily due to sample collection tubes and kits contract manufacturing activity
USA - Contract manufacture of bulk molecular transport media and PBS for public health and private sector customers tailed off during H2
UK - Increased demand and full year effect of sample collection tubes and kits contract manufacturing activity
Russia - Increased demand in Point-of-Care portfolio. EKF's Russian entity is 60% owned by the Group but 100% of its results are consolidated, with the non-controlling interest shown separately in the income statement and statement of financial position.

As referred to in the Chief Executive Officer Review, we have taken the opportunity to recalibrate how we report revenues going forward to more closely align with our product groups and the way in which business divisions report into senior management.

Gross profit

Gross profit is £39.4m (2020: £37.4m), which represents a gross margin percentage of 48% (2020: 58%). The increased gross profit was largely due to the higher volumes. The reduction in gross margin percentage was primarily caused by changes in the mix of Contract Manufacturing related products as well as increased costs in the supply chain.

Administration costs and research and development

Administration costs have decreased to £17.7m (2020: £20.7m).

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

	Year ended 31 December 2021 £'000	[illegible]
Non-exceptional administration expenditure before R & D capitalisation	19,511	17,234
Effect of share-based payments	(1,238)	5,292
Less capitalised R & D	(659)	(586)
Effect of exceptional items	95	(1,282)
Total administrative expenses	**17,709**	**20,658**

The reduction is largely caused by the effect of the closure of the cash settled share-based payment schemes, which, after payments made out during the year, allowed a write-back of the remaining accrued balance of £1.9m.

Research and development costs included in administration expenses were £1.4m (2020: £1.4m). A further £0.7m (2020: £0.6m) was capitalised as an intangible asset, resulting from our development work to broaden and improve our product portfolio, bringing gross R&D expenditure for the year to £2.1m (2020: £2.0m). The charge for depreciation of fixed assets and amortisation of intangible assets increased to £5.9m (2020: £4.6m). The increase was mainly associated with higher amortisation of development projects, and increased depreciation on right of use assets capitalised in accordance with IFRS 16.

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

The Group generated an operating profit of £21.7m (2020: £16.9m). This was a result of the higher revenue levels seen during the year and the lower administration costs. We continue to consider that adjusted earnings before interest, tax, depreciation and amortisation, share-based payments and exceptional items (Adjusted EBITDA) is a better measure of the Group's progress

Chief Financial Officer's Review *(continuation)*

as the Board believes it gives a clearer comparison of the underlying operating performance between periods. In 2021 we achieved adjusted EBITDA of £26.5m (2020: £25.5m), an increase of 4%. The calculation of this non-GAAP measure is shown on the face of the income statement. It excludes the effect of a non-cash share-based payment credit of £1.2m (2020: charge of £5.3m), and exceptional losses of £0.1m (2020: profit of £1.3m), the main elements of which are costs relating to the acquisition of ADL.

Finance costs

Net finance costs are £0.3m (2020: £1.5m). The main cost results from a decrease in the fair value of deferred consideration which is valued using the Company's share price. Although the Group holds net cash, achievable financial returns on this are very low because of low interest rates around the world.

Tax

There is an income tax charge of £5.3m, an increase from the prior year charge (2020: £4.0m), but a decrease in the tax rate to 25% from 26%. Deferred tax of £1.5m, calculated on the increase in the market value of listed investments over cost, has been charged direct to Other Comprehensive Income.

Dividend

A cash dividend of 1.1p per ordinary share was paid in December 2021, in respect of the final dividend for 2020. Dividends are shown in the Statement of Changes in Equity, and not in the Income Statement.

Balance sheet

Property plant and equipment and right of use assets

Additions to fixed assets were £5.7m (2020: £2.1m), and fixed assets rose by a further £0.9m recognised on the acquisition of ADL. Major programmes include the continuing work on the fit out of the new factory building in nearby South Bend and upgrading and refurbishment of the Group's manufacturing facility in Elkhart, USA and the; and the capitalisation of new and replacement leases under IFRS 16 including new properties in the UK and USA. These leases are either for three years or less, or have break clauses that limit our commitment to a maximum of three years.

Intangible assets

The carrying value of intangible assets has increased, from £37.1m at the end of 2020 to £41.9m as at 31 December 2021. This is due to the intangible assets of £8.0m recognised on the acquisition of ADL.

Investments

At year-end, the Company continues to hold 1.39% of the issued share capital of Renalytix plc, a developer of artificial intelligence enabled acute kidney injury products, and 1.89% of Verici Dx plc, a developer of advanced clinical diagnostics for organ transplant. The market value of these investments increased by £1.1m during the year. Post year end the Company invested a further £2.5m in Verici alongside other existing and new investors participating in a placing of new ordinary shares. Further to the investment, the Company holds 5.8% of Verici DX plc. EKF intends that its holding in Verici will be distributed to its own underlying shareholders as soon as reasonably practicable and subject to appropriate arrangements to maintain an orderly market in Verici's shares following such distribution.

Deferred consideration

The deferred consideration of £2.9m at the start of last year has been written back, along with its associated warranty claim debtor, following settlement of the dispute. A small payment has been made to the former owner of EKF's German operations. The new balance of £0.6m (2020: £2.9m) is for deferred and contingent consideration relating to ADL, which has been estimated at its fair value.

Cash and working capital

Net cash (which excludes marketable securities and lease creditors assessed in relation to IFRS 16 assets) has decreased to £19.6m from £21.4m. Gross cash has fallen to £20.3m (2020: £21.9m). Existing Borrowings reduced in line with repayments to £0.3m (2020: £0.5m), while borrowings overall rose as a result of borrowings held by ADL on acquisition of £0.4m, which have been settled post year end. Cash generated by operations is £14.2m (2020: £20.8m) mainly influenced by the effect of share-based payments.

Investment has been made in the acquisition of fixed assets (£4.3m excluding IFRS 16 leases). Working capital grew by £6.7m during the period, particularly as a result of additional inventory carried in the USA. Payments during the year under the now closed previous exit bonus scheme totalled £5.3m. The dividend paid in December 2021 totalled £5.1m.

Marc Davies
Chief Financial Officer

29 March 2022

Board of Directors

Executive Directors

Michael Salter (appointed 1 October 2021)

Chief Executive Officer

Mike Salter joined EKF in 2017 as head of the Group's American business where he was responsible for all USA facilities including sales, operations and Regulatory Affairs, and also had a particular focus on EKF Life Sciences in Elkhart, Indiana. Previously, Mike worked at GE Healthcare where he was General Manager for the Custom Molecular Reagent Business within GE Life Sciences. Mike has over 35 years of experience in the Life Science and Diagnostics Industry, 33 of which were spent with GE and Amersham in a variety of positions in the UK, Canada and USA. Since joining EKF, Mike has been responsible for overseeing the growth of EKF's Diabetes and Haematology business in the US and, by leveraging his business network he has secured licensing agreements, built production capacity and secured orders for the COVID-19 sample collection kit business.

Richard Evans

Chief Operating Officer and Finance Director

Richard qualified as a Chartered Management Accountant in 1983 and holds a Bachelor of Commerce in Business Studies and Law from Edinburgh University and an MBA from INSEAD. Before joining EKF, Richard was Finance Director, General Manager and finally Global Account Director at Hitachi Data Systems GmbH. He has also held positions at Fisher Scientific, TRW Seat Belt Systems, Maxtor Corporation, United Technologies Carrier and Abbott Diagnostics GmbH in Germany. Richard retired from the Board on 1 January 2022.

Marc Davies (appointed 1 January 2022)

Chief Financial Officer

Marc joined EKF on 1 January 2022 from medical device designer, manufacturer and supplier Flexicare Medical, where he was Group Finance and Operations Director from October 2017. Marc was responsible for overseeing substantial revenue growth throughout his time with Flexicare, driven by both organic performance and acquisition. Whilst at Flexicare Medical. Marc led several corporate finance transactions including post-transaction integration.

Previously, Marc was a Corporate Finance Director at PricewaterhouseCoopers (PwC), providing mid-market private business and private equity focused corporate finance advice as Head of the PwC West and Wales Corporate Finance Team. Before joining PwC in 2013, Marc was an AIM focussed Corporate Finance Advisor for over five years, during which he spent four years at WH Ireland, including work within its Nominated Adviser function. Marc began his career in finance as part of the PwC Corporate Recovery team. Marc is a Fellow Chartered Accountant (FCA) and an Oxford graduate with an MSc (Distinction) in Mathematical Modelling and Scientific Computation and an MA (First Class) in Mathematical Science.

Board of Directors

Non-Executive Directors

Christopher Mills

Non-executive Chairman

Christopher founded Harwood Capital Management in 2011, a successor to its former parent company J.O. Hambro Capital Management, which he co-founded in 1993. He is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Chief Investment Officer of Harwood Capital LLP. He is a Non-Executive Director of a number of companies including Renalytix AI plc. Christopher was a Director of Invesco MIM, where he was Head of North American Investments and Venture Capital, and of Samuel Montagu International. Christopher stood down from the audit committee in March 2022.

Julian Baines MBE

Non-executive Deputy Chairman

Julian was Group CEO of BBI where he undertook a management buyout in 2000, a flotation on AIM in 2004 and was responsible for selling the business to Alere Inc. (now part of Abbott Laboratories) in 2008 for circa £85 million. Julian founded and was CEO of the Group from its inception in 2009 and has subsequently successfully completed a number of fund raisings and the acquisition and subsequent integration of eight businesses in seven countries. In 2016 he was awarded an MBE for services to the life sciences industry. Julian is also Chairman of Trellus Health plc and Verici Dx plc. On 1 October 2021 he stepped down as CEO of the Group but continued as a Non-executive Director.

Adam Reynolds (resigned 19 May 2021)

Non-executive Director

Adam is a former stockbroker specialising in corporate finance. He has built, rescued and re-financed a number of public companies. He is currently Chairman of Autoclenz Group Limited Belluscura plc, Myhealthchecked plc and Yourgene Health plc, and a director of several listed and private companies. Adam retired from the Board in May 2021.

Board of Directors

Non-Executive Directors

Christian Rigg (appointed 1 July 2021)

Non-executive Director

Chris Rigg is a chartered accountant who has significant executive experience at both public and private companies. He is currently the Chief Executive Officer of Project Galaxy UK Topco Limited (the holding company of Mandata Holdings Limited) and a Non-executive Director of the main market listed Sportech plc. Chris previously held the positions of Chief Financial Officer and latterly Chief Executive Officer at Quantum Pharma plc, which, under his stewardship, was refinanced and implemented a new strategy facilitating growth and leading to its acquisition by Clinigen Group plc for an enterprise value of £160 million.

Chris is a member of the audit committee.

Carl Contadini (resigned 1 February 2022)

Non-executive Director

Carl has been a director of numerous companies throughout his career, predominately focusing on the healthcare and electronics sectors. He is currently an Operational Adviser to Harwood Capital LLC, where he assists in sourcing, evaluating and monitoring investments. Carl also holds the positions of Executive Chairman at Utitec Holdings Inc. and of Chairman of the Harold Lever Cancer Cente. He is also a board member of Waterbury Hospital which is part of the Prospect Medical Company. Carl has, in the past, also been a director of Bionostics Limited and Celsis Group Limited. He holds an Associate of Science degree in Business Administration and Marketing from Tunix Community College, Connecticut and a Batchelor of General Studies degree specialising in Human Resources from University of Connecticut. Carl retired from the Board in February 2022.

Jennifer Winter (appointed 1 February 2022)

Non-executive Director

Jenny has over 20 years' experience across a broad variety of healthcare organisations ranging from small not-for-profit companies to large corporates. Jenny is currently Chief Executive Officer of AIM listed Animalcare Group plc (AIM: ANCR) where she is successfully executing on the business's long-term growth strategy, as reflected in the recently announced strong full year trading performance against a backdrop of very challenging market conditions. Before joining Animalcare Group plc in October 2018, Jenny was Vice President of Respiratory products - Global Supply Chain and Strategy at AstraZeneca, a position she held from 2015. Jenny has a BSc in Physiology and Pharmacology from the University of Southampton.

Strategic Report

for the year ended 31 December 2021

The Directors present their Strategic Report for the year to 31 December 2021.

Review of the business

A review of the business is contained in the Chairman's Statement on pages 10 to 12 and in the Chief Executive Officer's Review on pages 13 to 15, and the Chief Financial Officer's Review on pages 16 and 17.

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

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

Overview of risk management approach

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

Principal risks and uncertainties

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

Key employees

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

This risk is minimised by ensuring that a minimum of two individuals manage every relationship with key customers and suppliers. In addition, in retaining the key employees, incentivisation packages are offered through a mixture of sales commission, and profit related bonuses. Main Board Directors are incentivised as detailed in the Directors' Remuneration Report. There has been no change in the level of this risk in the last 12 months.

Political risk

A significant proportion of the Group's revenues are accounted for by agreements in developing countries. Any instability in these countries could meaningfully affect the operations and the revenue of the Group. In particular the Group has revenues from customers in Russia and an entity based there. As a result of the sanctions recently imposed on Russia by the EU, the USA and other countries, there are enhanced risks in respect of our Russian entity, including credit risk to cash balances, its ability to collect debtors, and our ability to import products into Russia. The situation in Russia is changing rapidly and mitigation of these risks is difficult, however we maintain frequent communications with our senior management in the country who have a good knowledge of operating there in difficult circumstances. In addition we have discounted sales from this region in our growth forecasts.

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

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

The level of this risk has increased in the last 12 months.

Supply chain continuity

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

The Group maintains a close dialogue with key suppliers and closely monitors its inventory status and customer demand to ensure that any problems with the supply chain can be managed, and back up sources of supply are maintained where possible. There has been no change in the level of this risk in the last 12 months.

Regulatory risk

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

Strategic Report

for the year ended 31 December 2021 (continuation)

The Group's operations are covered by In Vitro Diagnostic Regulation (IVDR) which affects all our products in the EU. We have adapted to the significant changes the IVDR brings such that we are ready to meet the immediate requirements in May 2022, and have a defined plan for the amended transitional provisions. There has been no change in the level of this risk in the last 12 months.

Competition risk

Due to the Group's current and future potential competitors, such as major multinational pharmaceutical and healthcare companies, having substantially greater resources than those of the Group, the competitors may develop systems and products that are more effective or economic than any of those developed by the Group, rendering the Group's products obsolete or otherwise non-competitive. The Group seeks to mitigate this risk by securing patent registration protection for its products where appropriate, maintaining confidentiality agreements regarding the Group's know-how and technology, monitoring technological developments and by selecting leading businesses in their respective fields as distribution partners capable of addressing significant competition, should it arise. There has been no change in the level of this risk in the last 12 months.

Intellectual property risk

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

The Group mitigates this risk by developing products where legal advice indicates patent protection would be available, seeking patent protection for the Group's products, maintaining confidentiality agreements regarding Group know-how and technology and monitoring technological developments and the registration of patents by other parties. The commercial success of the Group also depends upon not infringing patents granted, now or in the future, to third parties who may have filed applications or who have obtained, or may obtain, patents relating to business processes which might inhibit the Group's ability to develop and exploit its own products. There has been no change in the level of this risk in the last 12 months.

Foreign exchange risk

The Group has transactional currency exposures as the majority of revenues and expenditure and certain borrowings are denominated in foreign currencies. Fluctuations in exchange rates between the Company's functional currency of Sterling and the currency of the overseas operations could adversely impact the financial results. In most cases the Group matches the currency receipts and expenditure of the overseas operations. The Group also endeavours where appropriate to match the foreign currency assets of the foreign operations by funding through borrowings and loans denominated in the currency of the overseas operations, and to negotiate currency protection in major contracts. There has been no change in the level of this risk in the last 12 months.

Reimbursement levels

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

The Group understands that due to third party dependency it is extremely difficult to eradicate this risk. However, the Group manages this risk with constant dialogue and educating the third party payers on the Group's products and also developing new technologies in order to seek additional reimbursements. There has been no change in the level of this risk in the last 12 months.

Financial reporting and disclosure

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

This risk is mitigated through the Group's internal controls over the financial information and reporting, overseen by the local financial heads and then reviewed by the central finance team, including the Chief Financial Officer. The annual financial statements are also subject to audit by the Group's external auditors. There has been no change in the level of this risk in the last 12 months.

Cyber security risk

The Group uses computers extensively in its operations and has an online presence but does not trade online. It is at risk of attack through hacking or other methods. This risk is mitigated by the use of robust security measures, staff training, and back-up systems. Formal procedures are in place where necessary. The Group also has specific insurance cover. There has been no change in the level of this risk in the last 12 months.

Pandemic risk

The recent COVID-19 pandemic has created uncertainty in the market in the short term. Many countries continue to manage their COVID risk through restrictions on travel and activities, and government action continues to have a significant effect on economies across the world. We believe we have a robust plan in place to mitigate the effect of the disruption on the business including taking the following actions (amongst others):

- Ensuring the safety of our employees by organising for as many staff as possible to work from home, making appropriate adjustments in the workplace, and changing working practices
- Improving our computer networking to facilitate remote working
- Gaining designation as a company essential to basic medical care which allows our premises to remain open even in a lockdown
- Increasing supplier and customer contact so as to be able to anticipate issues and react quickly
- Increasing raw material stock holding

Strategic Report

for the year ended 31 December 2021 (continuation)

While we have continued to see some disruption to our core business as a result of the COVID-19 pandemic, we have protected our core business as far as possible and core revenue has grown by 14% this year. It is clear that healthcare activities are returning to normal and that our base case forecasts for our core business are still applicable. While the pandemic has sadly been very costly for many in lives and income, EKF has been able to learn new skills and develop a business model which offers great possibilities in the post-pandemic world. However, we are adopting a pragmatic view that there will be a reduction in pandemic-related contract manufacturing activity for the remainder of the year.

While any further economic disruption stemming from the pandemic is impossible to forecast, the continuing performance of the business gives the Directors confidence that the business can survive our worst case scenarios for business performance for at least the next 12 months. The level of this risk has decreased in the last 12 months.

Climate change risk

Climate change means we may face physical risks such as more frequent or severe weather events; transitional risks such as increased regulatory requirements from our customers or that a move towards a greener economy could mean the Group might face reductions in asset values or higher costs of doing business. While the potential economic effect on the Group is uncertain, the Group does not believe its operations are materially at risk. The Group seeks to manage this risk by monitoring events and taking mitigating actions if necessary. More information on our response to climate change risks is shown in the Environment section of this Report on page 23. The level of this risk has increased in the last 12 months.

Plastic packaging tax

A new environmental tax on plastic packaging manufactured in, or imported into the UK, that does not contain at least 30% recycled plastic is being introduced from 1 April 2022. We have taken steps to increase our knowledge of this new tax and introduced systems to measure its effect, so as to mitigate any possible financial effect. This has been introduced as a new risk this year.

Review of strategy and business model

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

EKF's strategy is to create a global, world class, IVD business through organic growth and strategic partnerships, concentrating on point-of-care, central laboratory, and building on our recent successes in contract manufacturing, while investing heavily in our enzyme business and newly acquired testing facility. We have identified and acquired businesses in these areas with strong product lines and distribution networks which can benefit from better, more professional management, greater resources, and from the synergistic benefits of being part of a larger group.

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

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

Future outlook

The Chairman's Statement on pages 10 to 12, and the Chief Executive Officer's Review on pages 13 to 15 give information on the future outlook of the Group, including the main trends and factors likely to affect its future development.

Key Performance Indicators (KPIs)

The key performance indicators currently used across the Group are revenue, gross profit, adjusted EBITDA and cash resources and working capital. Local entities also use a variety of non-financial measures for measuring their own performance. The Group is working to establish other key performance indicators including non-financial measures across the Group. KPIs are discussed in more detail in the Chief Financial Officer's review on pages 16 and 17.

Environment

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

Primary responsibility for governance of the Group's response to climate change lies with the Board, which sets the strategy for managing associated risks in association with the Group's senior management. Senior management are responsible for identifying, assessing, and managing climate change risks and opportunities, and for determining processes and actions that need to be taken to manage and report on that risk. The Group is in the early stages of this process, having recently assigned a senior manager to lead the Group's response. Part of this process will include an analysis of the metrics, targets, and reporting requirements that we are likely to face.

Physical risks

The Group operates in a number of geographical locations throughout the world. None of these locations are in environmentally sensitive areas, and the Group does not believe that any locations are at material risk from severe weather events or similar consequences of climate change. We will monitor potential changes to our physical risk profiles by monitoring events and assessing our response to them.

Transitional risks

Many of our ultimate customers are government bodies or national health systems which are funded by governments, large charities, or similar bodies. It is likely that part of their climate change management will involve trickling down net zero or similar initiatives to their supply chain. It is likely these requirements will increase over time. We have commenced a process of seeking to understand what effects if any that this process will have on our own response and risk profile. Areas we have initially identified include use of plastics and packaging. Our strategy is to work together with our customers and our own supply chain to ensure that we can operate successfully within customer requirements while mitigating as far as possible any additional costs.

Strategic Report

for the year ended 31 December 2021 (continuation)

UK energy use

The Group is required to report on energy use in the UK only, as our overseas subsidiaries do not come within the scope of the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements. We are considering the best strategy for reporting energy use more widely in the Group.

The table below represents the energy use and associated greenhouse gas (GHG) emissions from electricity and fuel use in the UK for the year ended 31 December 2021. This is the first year we have exceeded the threshold of being a "low energy user" and therefore the exemption no longer applies.

Energy consumption used to calculate emissions:	[illegible]
Electricity usage	68,468 KwH
Transport	2,017 KwH

Conversion factors used to calculate emissions:	[illegible]
Electricity usage (scope 2)	0.21016
Transport (scope 1)	0.27698

The emission conversion factors are based on the UK Government GHG Conversion Factors for Company Reporting 2021.

Calculated emissions	[illegible]
Electricity usage	14
Transport	1
Total	**15**

The rate of emissions per £m of turnover is 0.18 tonnes of CO_2.

Employees

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

Disabled employees

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

Social, community, and human rights

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

Section 172 Statement

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

- the likely long term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company.

The Group has adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from The Quoted Companies Alliance (the "QCA Code"). The QCA Code is an appropriate code of conduct for the Group's size and stage of development. There is a discussion of how the Group applies the ten principles of the QCA Code in support of its growth on the Group's website.

The Chairman's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects, including the considerations for long term decision making, on pages 10 to 15. The Board considers that its response to the COVID pandemic has been measured and has allowed it to grasp opportunities as they have arrived.

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

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

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

Strategic Report

for the year ended 31 December 2021 (continuation)

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

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

The Board recognizes the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints. The Board endeavours to maintain good relationships with its shareholders and treat them equally. This is described in more details in "Relations with shareholders" in the Corporate Governance Report on pages 29 and 30.

The Strategic Report was approved by the Board on 29 March 2022 and signed on its behalf by:

Marc Davies
Chief Financial Officer

Report of the Directors

for the year ended 31 December 2021

The Directors have pleasure in presenting this report together with the audited consolidated financial statements of EKF Diagnostics Holdings plc for the year ended 31 December 2021.

Corporate details

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

Directors

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

- Christopher Mills
- Julian Baines
- Michael Salter (appointed 1 July 2021)
- Christian Rigg (appointed 1 July 2021)
- Marc Davies (appointed 1 January 2022)
- Jennifer Winter (appointed 1 February 2022)
- Richard Evans (resigned 1 January2022)
- Adam Reynolds (resigned 19 May 2021)
- Carl Contadini (resigned 1 February 2022)

The Company Secretary is Salim Hamir. In October 2021 Mr Baines stepped down as Chief Executive of the group, but remained a director.

Principal activities

During the year the principal activities of the Group and Company were the development, manufacture and supply of products into the in-vitro diagnostics (IVD) market place. Future developments and research and development activities are discussed in the Chairman's Statement on pages 10 to 12, the Chief Executive Officer's Review on pages 13 to 15, the Chief Financial Officer's Review on pages 16 and 17, and the Strategic Report on pages 21 to 25.

Dividends and share buy back

In December 2021 the Company paid a final dividend for 2020 of 1.1p (2019: 1.0p) per share. The Board has noted that it intends to follow a progressive dividend policy. If approved by shareholders at the Company's next annual general meeting, payment of a dividend of 1.2p per share will be on 1 December 2022 to shareholders on the register on 3November 2022.

The Company holds authorisation to acquire up to approximately 15% of its Ordinary Shares in order to reduce the number of shares in issue. No shares (2020: no shares) were acquired under this authorisation during the year. The Company has announced that it intends to buy up to a maximum of 9,000,000 shares for cancellation during 2022.The Company intends to seek renewal of the authorisation at the next AGM.

Going concern

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

While we have continued to see some disruption to our core business as a result of the COVID-19 pandemic, we have protected our core business as far as possible and core revenue has grown by 14% this year. It is clear that healthcare activities are returning to normal and that our base case forecasts for our core business are still applicable. While the pandemic has sadly been very costly for many in lives and income, EKF has been able to learn new skills and develop a business model which offers great possibilities in the post-pandemic world. However, we are adopting a pragmatic view that there will be a significant reduction in pandemic-related contract manufacturing activity for the remainder of the year.

The Group has revenues from customers in Russia and an entity based there. As a result of the sanctions recently imposed on Russia by the EU, the USA and other countries, there are enhanced risks in respect of our Russian entity, including credit risk to cash balances, it's ability to collect debtors, and our ability to import products into Russia. In preparing a downside going concern forecast we have discounted sales from this region.

While any further economic disruption stemming from the pandemic is impossible to forecast, the strength of the Group's balance sheet aligned to the continuing performance of the business gives the Directors confidence that the business can continue to meet its obligations as they fall due, even under our worst case scenarios, for at least the next 12 months. Accordingly, the directors are satisfied they can prepare the accounts on a going concern basis.

Financial risk management

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

Employee policies and engagement

Employee policies are discussed in the Strategic Report on pages 21 to 25.

Stakeholder engagement

A statement summarising how the directors have had regard to the need to foster the Group's business relationships with other stakeholders is included in the Strategic Report on pages 21 to 25.

Streamlined Energy and Carbon Reporting (SECR)

SECR reporting is included in the Strategic Report on pages 21 to 25.

Report of the Directors

for the year ended 31 December 2021 (continuation)

Directors' interests

The interests in the share capital of the Company of those Directors serving at 31 December 2021 and as at the date of signing of these financial statements, all of which are beneficial, were as follows:

	On 31 December 2021[1] Ordinary Shares of 1p each	On 31 December 2020[2] Ordinary Shares of 1p each
Christopher Mills	130,875,000	136,113,591
Julian Baines	1,605,288	1,855,288
Michael Salter	125,000	125,000
Christian Rigg	-	-
Marc Davies	-	-
Jennifer Winter	-	-
Richard Evans	178,842	178,842
Adam Reynolds	1,168,613	1,668,613
Carl Contadini	-	-

[1] or date of resignation if earlier
[2] or date of appointment if later

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

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

Substantial shareholdings

As at 24 March 2022, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

	Number of shares	Percentage of issued share capital
Mr Christopher Mills	130,875,000	28.21%
LionTrust Asset Management	38,719,763	8.35%
Canaccord Genuity Wealth Management	31,460,476	6.78%
Schroder Investment Management	20,049,475	4.32%
Octopus Investments	18,916,000	4.08%
Stockinvest Limited	18,555,500	4.00%

The interests disclosed above are those as at 31 December 2021, updated for any substantial shareholding notifications received up to 24 March 2022.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

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Report of the Directors

for the year ended 31 December 2021 (continuation)

Directors' liability insurance

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

Independent auditors

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

Disclosure of information to the Auditors

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

Corporate governance

The Company's statement of corporate governance can be found in the Corporate Governance Statement on pages 29 and 30 of these financial statements. The Corporate Governance Statement forms part of this Report of the Directors and is incorporated into it by cross-reference.

Annual General Meeting

The resolutions to be proposed at the forthcoming Annual General Meeting are set out in the formal notice of the meeting, as set out on pages 79 and 80.

Recommendation

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

The Report of the Directors was approved by the Board on 29 March 2022 and signed on its behalf by:

Marc Davies
Chief Financial Officer

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Corporate Governance Statement

for the year ended 31 December 2021

Compliance

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

The following statement describes how the Group as at 31 December 2021 sought to address the principles underlying the Code.

Board composition and responsibility

The Board currently comprises two Executive Directors and four Non-Executive Directors. Christopher Mills was appointed as Non-Executive Chairman on 20 April 2016. Julian Baines was appointed Non-executive Deputy Chairman on stepping down as Chief Executive Officer on 1 October 2021. Michael Salter was appointed as Chief Executive on 1 October 2021. Richard Evans resigned as Finance Director and was replaced by Marc Davies on 1 January 2022.

It is the Board's opinion that the two directors, Christian Rigg (replacing Adam Reynolds) and Jennifer Winters (replacing Carl Contadini), are independent in character and judgment and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. Both Mr. Rigg and Ms. Winter have been appointed to the Boards of numerous companies, with Mr. Rigg specialising in finance and operational matters and Ms. Winter specialising in commercial operations in the healthcare sector. The Directors keep their skills up to date through appropriate training and experience both within and outside the organisation.

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

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

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

Board meetings

7 Board meetings were held during the year. The Directors' attendance record during the year, along with the number of meetings for which they were eligible to attend, is as follows:

Christopher Mills (Non-Executive Chairman)	7 (7)
Julian Baines (Chief Executive Officer)	7 (7)
Richard Evans (COO and Finance Director)	7 (7)
Michael Salter (CEO designate)	5 (5)
Adam Reynolds (Non-Executive Director)	1 (1)
Carl Contadini (Non-Executive Director)	4 (7)
Chris Rigg (Non-Executive Director)	6 (6)

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

On March 11 2022 the Board performed an evaluation of their performance and that of the Chairman, as well as the effectiveness of the Board committees. The evaluation found that the Board and the Chairman's performance were satisfactory. The Board intends to develop further its evaluation of the performance of the Board and Committees on an annual basis. The evaluation will include board composition, experience, dynamics and the board´s role and responsibilities for strategy, risk review and succession planning. The evaluations will involve a detailed questionnaire and individual discussions between the Non-executive Chairman and the Directors. Given the Group's size, the Board considers it unnecessary to have evaluations facilitated by an external consultant. Independent Director Chris Rigg will conduct an evaluation of the Non-executive Chairman´s performance in conjunction with the other independent Director, Jenny Winter and input from the two Executive Directors. The outcome from these evaluations will be discussed by the Board at one of its Board meetings.

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

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

Audit Committee

This now comprises two Non-Executive Directors, Chris Rigg (Chairman) and Jennifer Winters. Chris Rigg is the Senior Independent Director and has recent and relevant finance experience. Christopher Mills stood down from the Audit Committee on 11 March 2022, and was replaced by Ms Winters. The committee has responsibility over the following:

- Recommend the appointment, re-appointment and removal of the external auditors. The external audit

Corporate Governance Statement

for the year ended 31 December 2021 (continuation)

process is assessed through discussion within the committee and with management. If the committee believes based on this assessment that the external auditors should be replaced or the audit put out to tender, this is determined by the full Board. The Company rotates its auditor or performs a retender in line with the needs of the business and legislation. The current auditors have been in place since 2010, and the audit was last retendered in 2015.There are no current plans to seek a retender.

- Ensure the objectivity and independence of the auditors including occasions when non-audit services are provided. From 2020 the external auditors do not provide non-audit services.
- Ensure appropriate 'whistle-blowing' arrangements are in place
- The Non-Executive Directors may seek information from any employee of the Group and obtain external professional advice at the expense of the Company if considered necessary. Due to the relatively low number of personnel employed within the Group, the nature of the business and the current control and review systems in place, the Board has decided not to establish a separate internal audit department.
- The committee met once formally during 2021. Mr Reynolds attended, prior to the appointment of Mr Rigg. There were no significant matters communicated to the Committee by the Auditors. Key matters of judgement discussed with the Auditors are noted within the Audit report on pages 32 to 36.

Remuneration Committee

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

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

The Committee met twice during 2021. All eligible members attended all meetings.

Board appointments

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

Internal control

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

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

Internal financial reporting

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

Relations with shareholders

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

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

Shareholders may contact the Company as follows:

Tel: 029 2071 0570
Email: investors@ekfdiagnostics.com

Corporate social responsibility

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

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

The Corporate Governance Statement was approved by the Board on 29 March 2022 and signed on its behalf by:

Marc Davies
Chief Financial Officer

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Report of the Remuneration Committee

for the year ended 31 December 2021

Statement of compliance

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

Policy on Executive Directors' remuneration

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

Directors' remuneration - Audited

The remuneration of the Directors for the years ended 31 December 2021 and 31 December 2020 are shown in the table below:

	Salary and fees £'000	[illegible]		Pension £'000	2021 £'000	2020 £'000
Executive Directors						
Julian Baines	248	12	2,525	12	**2,797**	556
Michael Salter	65	2	-	-	**67**	-
Richard Evans	249	18	2,523	7	**2,797**	508
	562	32	5,048	19	**5,661**	1,064
Non-Executive Directors						
Christopher Mills	25	-	25	-	**50**	50
Carl Contadini	25	-	25	-	**50**	50
Christian Rigg	25	-	-	-	**25**	-
Adam Reynolds	25	2	25		**52**	50
	100	2	75	-	**177**	150
Total fees and emoluments	**662**	**34**	**5,048**	**19**	**5,838**	**1,214**

Where relevant, remuneration is disclosed to or from the date of appointment as a director. Mr Baines' remuneration covers his service as both an executive and a Non-executive director during 2021.

Directors' share options and Long-Term Incentive Plan

No director holds options under any share option plan.

In June 2016 Mr Baines and Mr Evans were granted a cash settled share-based incentive award. During 2017 both the maximum and minimum amounts payable to each Director were reduced by £0.2m. In November 2019, a payment was made to each Director of approximately £1.345m, and at the same time the terms of the scheme were updated. The terms of the scheme were again updated in 2020 following payments to each director of approximately £0.23m in July 2020. In 2021 payments were made to each director of £0.5m in January and £2.0m. At this time the scheme was closed so that no other payments under it are due. The remaining accrual of £1.9m was released.

In September 2021 Mr Salter was granted a cash settled share based incentive award, replacing his previous scheme. The award vests if a controlling interest in the Company is acquired by a third party at any time. In these circumstances an award is payable to Mr Salter, which increases by reference to the sale price achieved. The fair value of this award has been calculated at £3,296,000 using a modified form of a Black Scholes model. The fair value has been spread over the assumed vesting period, with a charge of £298,000 (2020: £nil) recognised in 2021. The key assumptions used in the model, and details of the updated terms are disclosed in Note 31.

Directors' interests in the share capital of the Company are disclosed in the Directors' Report on pages 26 to 28.

Approved by the Board on 29 March 2022 and signed on its behalf by:

Marc Davies
Chief Financial Officer

Independent auditors' report to the members of EKF Diagnostics Holdings plc
Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company's Statement of Financial Position as at 31 December 2021; the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidate and Company's Statement of Cash Flows, Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed full-scope audit procedures in respect of the group's largest trading subsidiaries in the USA and in Germany, as well as EKF Diagnostics Holdings plc in the UK.
- Our audit procedures covered entities contributing 91% of the group's revenues and adjusted EBITDA for the year ended 31 December 2021.
- We engaged with component auditors for the audit of the Germany in-scope subsidiaries. All other audit work was performed by the group engagement team.

Key audit matters

- Recoverability of Group goodwill and the Company's investment in subsidiaries (group and parent)
- Acquisition accounting, including the identification and valuation of intangible assets and goodwill (group)

Materiality

- Overall group materiality: £1,014,000 (2020: £968,000) based on 5% of Adjusted profit before tax (adjusted to exclude share-based payments and exceptional items).
- Overall company materiality: £574,000 (2020: £580,000) based on 1% of total assets.
- Performance materiality: £760,000 (2020: £726,000) (group) and £430,000 (2020: £435,000) (company).

Independent auditors' report to the members of EKF Diagnostics Holdings plc
Report on the audit of the financial statements *(continued)*

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

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

Acquisition accounting, including the identification and valuation of intangible assets and goodwill is a new key audit matter this year. Accounting for investment and divestments of Trellus Health Limited, Share-based payment transactions, and COVID-19, which were key audit matters last year, are no longer included because of the transactions either being specific to last year, or material judgements and estimates being no longer relevant to this year. The Group and Company has continued to operate throughout the pandemic and Covid-19 is no longer considered a pervasive risk. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of Group goodwill and the Company's investment in subsidiaries **(Group and parent)** As at 31 December 2021, the Consolidated Statement of Financial Position includes £42.2m of intangible assets, of which £27.6m is goodwill (2020: £24.1m), and £14.6m amortised intangible assets (2020: £12.6m). The investments in subsidiaries included in the Company Statement of Financial Position as at 31 December 2021 is £38.4m (2020: £30.5m). Goodwill in the Group and the Company's investment in subsidiaries are significant, and the estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The impairment reviews therefore include significant estimates and judgements in respect of future growth rates, cash flows and discount rates. The sensitivity of these key assumptions are detailed in note 18, Intangible assets and note 19, Investments in subsidiaries	We obtained the group's cash flow forecasts supporting its assessments and performed the following procedures; • Assessed the methodology used by management in accordance with IAS 36 'Impairment of assets' and tested the mathematical accuracy of the model; • Agreed forecast cash flows to board approved budgets and evaluated and challenged key assumptions within the cashflows and validated to supporting documentation, where appropriate. We worked with our internal valuation experts to consider key inputs such as the discount rate; and • Performed sensitivity analysis including the effect of reasonably possible reductions in forecast cash flows to evaluate the impact on the carrying value of the goodwill and investment in subsidiaries. We have assessed the adequacy of the Group and Company's disclosures regarding the goodwill and investment in subsidiaries, and the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the model. . We also considered the potential impact of climate change for the group. We concur with management's assessment that no impairment charge is required in respect of goodwill and intangible assets.
Acquisition accounting, including the identification and valuation of intangible assets and goodwill **(Group)** On 27 September 2021, EKF acquired 100% of the membership interest of Advanced Diagnostic Laboratory LLC ("ADL"), a PCR focused testing laboratory based in San Antonio, Texas. The cost of acquisition of ADL was initially $10m largely funded through the issue of ordinary EKF shares, a working capital true-up payable in cash, plus contingent consideration based on the achievement of certain earnings targets over the next three years. The net assets acquired are to be measured at fair value, including identifiable intangible assets. There is inherent judgement applied in identifying the intangible assets on acquisition, and the valuation includes key assumptions in the forecast cash flows, such as discount rates and profit margins. The amount of goodwill recognised is dependent on the valuation of the intangible assets. Refer to note 20, Business Combination. The intangible assets recognised on acquisition have been disclosed in note 18, Intangible assets.	We have worked alongside our internal valuation experts to assess the appropriateness of the valuation analysis prepared by the directors to calculate the fair value of the intangible assets used in the business combination accounting. This included; • Assessed the appropriateness of the methodology applied, and integrity of the discounted cash-flow used to determine the fair value of the intangibles assets in the business combination. We corroborated cash flows to Board approved forecasts; • Challenged the key assumptions made by management in determining the fair values, in particular, the forecast EBITDA and discount rates, including benchmarking of discount rates, and the attrition rates; and • Assessed the Group's disclosures regarding the acquisition and estimation assumptions and whether they had been disclosed appropriately. We concur that the approach adopted is in accordance with the accounting standards.

Independent auditors' report to the members of EKF Diagnostics Holdings plc
Report on the audit of the financial statements *(continued)*

How we tailored the audit scope

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

The group has two main manufacturing centres in Germany and the USA, in addition to the Head Office function based in the United Kingdom (UK). Manufacturing activities also occurred in the UK during 2021, with external revenues earned from the COVID-19 products. The central finance and accounting team is located in the UK and is responsible for the financial reporting of EKF Diagnostics Holdings plc (the "Company"). Stanbio Laboratory ("Stanbio") and EKF-diagnostic GmbH ("EKF Germany") are assessed as financially significant components of the group, given the significant revenue earned by the group in these entities. A full-scope audit of these entities' financial information has been carried out. The audit of Stanbio and the Company was conducted by the group engagement team and component auditors were engaged to audit EKF Germany. The Company audit was scoped in accordance with our company materiality. Our audit addressed components making up 91% of the group's 2021 revenues and adjusted EBITDA. Where component auditors were engaged, we adopted procedures to ensure we were sufficiently involved in their audits. These included discussions with component audit teams during the planning, fieldwork and reporting phases, the issuance of comprehensive audit instructions and a review of key working papers in key risk areas.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£1,014,000 (2020: £968,000).	£574,000 (2020: £580,000).
How we determined it	5% of Adjusted profit before tax (adjusted to exclude share-based payments and exceptional items)	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, a profit-based measure has been used which is a primary measure used by the shareholders in assessing the performance of the group. We have used profit before tax, adjusted for share-based payments and exceptional items, which are disclosed separately to aid the users of the financial statements. The rationale is consistent with the previous year.	Historically, an asset-based measure was used for the company as no external revenues were generated, and the Company's Statement of Financial Position was included in the Annual Report. While external revenues have been earned by the company in 2020 and 2021, the revenue stream is considered temporary, based on the longevity of the COVID-19 opportunities, and therefore an asset-based measure remains appropriate. The rationale is consistent with the previous year.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £170,000 to £992,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £760,000 (2020: £726,000) for the group financial statements and £430,000 (2020: £435,000) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £50,000 (group audit) (2020: £48,000) and £28,000 (company audit) (2020: £29,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of EKF Diagnostics Holdings plc
Report on the audit of the financial statements *(continued)*

Conclusions relating to going concern

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

- Verifying the integrity and mathematical accuracy of management's model as well as agreeing underlying cash flow projections to management approved forecasts.
- Assessing management's historic forecasting accuracy by obtaining management information for the financial performance year to date.
- Evaluating and challenging the reasonableness of the key assumptions in management's model, and agreeing the data to supporting information, where available.
- Evaluating and assessing the severe but plausible downside scenarios modelled, including the consideration of the impact of the current events in Ukraine.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Independent auditors' report to the members of EKF Diagnostics Holdings plc
Report on the audit of the financial statements *(continued)*

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Enquiry of group management and global head of quality and regulatory assurance around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to the business combination accounting and impairment assessment; and
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and consolidation journals.

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Cardiff
29 March 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	5	**81,836**	65,260
Cost of sales	6	**(42,470)**	(27,840)
Gross profit		**39,366**	37,420
Administrative expenses	6	**(17,709)**	(20,658)
Other income		**90**	133
Operating profit		**21,747**	16,895
Depreciation and amortisation	6	**(5,885)**	(4,611)
Share-based payments		**1,238**	(5,292)
Exceptional items	7	**(95)**	1,282
EBITDA before exceptional items and share-based payments	5	**26,489**	25,516
Finance income	12	**45**	53
Finance costs	12	**(357)**	(1,592)
Profit before income tax		**21,435**	15,356
Income tax charge	13	**(5,277)**	(3,971)
Profit for the year		**16,158**	11,385
Profit attributable to:			
Owners of the parent		**15,851**	11,114
Non-controlling interest		**307**	271
		16,158	11,385

		Pence	Pence
Earnings per Ordinary Share attributable to the owners of the parent during the year			
From continuing operations			
Basic	14	**3.47**	2.45
Diluted	14	**3.44**	2.42

The notes on pages 43 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit for the year		**16,158**	11,385
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
Changes in fair value of equity instruments at fair value through other comprehensive (loss)/income (net of tax)	32	**(321)**	3,276
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(1,226)**	734
Other comprehensive (loss)/income (net of tax)		**(1,547)**	4,010
Total comprehensive income for the year		**14,611**	15,395
Attributable to:			
Owners of the parent		**14,315**	15,235
Non-controlling interests		**296**	160
Total comprehensive income for the year		**14,611**	15,395

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

The notes on pages 43 to 78 are an integral part of these consolidated financial statements.

Consolidated and Company's Statement of Financial Position

As at 31 December 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	16	**15,991**	12,620	**1,609**	1,559
Right-of-use asset	17	**1,875**	1,019	**367**	328
Intangible assets	18	**41,894**	37,051	**598**	128
Investments in subsidiaries	19	**-**	-	**38,446**	30,521
Investments	23	**7,789**	6,608	**7,789**	6,608
Trade and other receivables	24	**-**	-	**1,860**	6,670
Deferred tax assets	29	**15**	14	**-**	-
Total non-current assets		**67,564**	57,312	**50,669**	45,814
Current assets					
Inventories	24	**13,238**	8,487	**475**	631
Trade and other receivables	23	**13,428**	13,182	**1,417**	1,476
Current income tax receivable		**548**	371	**-**	-
Cash and cash equivalents	25	**20,341**	21,913	**4,879**	10,045
Total current assets		**47,555**	43,953	**6,771**	12,152
Total assets		**115,119**	101,265	**57,440**	57,966
Equity attributable to owners of the parent					
Share capital	30	**4,639**	4,550	**4,639**	4,550
Share premium	30	**7,375**	200	**7,375**	200
Other reserves	32	**5,033**	5,354	**4,992**	5,313
Foreign currency reserves		**2,813**	4,028	**-**	-
Retained earnings		**74264**	63,516	**32,646**	31,981
		94,124	77,648	**49,652**	42,044
Non-controlling interest		**618**	552	**-**	-
Total equity		**94,742**	78,200	**49,652**	42,044
Liabilities					
Non-current liabilities					
Lease liabilities	17	**1,095**	690	**207**	221
Borrowings	27	**431**	323	**-**	-
Deferred consideration	28	**170**	-	**170**	-
Deferred tax liabilities	29	**5,031**	2,636	**1,502**	-
Total non-current liabilities		**6,727**	3,649	**1,879**	221
Current liabilities					
Trade and other payables	26	**9,078**	14,435	**4,780**	12,162
Lease liabilities	17	**838**	380	**184**	158
Deferred consideration	28	**465**	2,901	**465**	2,901
Current income tax liabilities		**3,004**	1,515	**480**	480
Borrowings	27	**265**	185	**-**	-
Total current liabilities		**13,650**	19,416	**5,909**	15,701
Total liabilities		**20,377**	23,065	**7,788**	15,922
Total equity and liabilities		**115,119**	101,265	**57,440**	57,966

The notes on pages 43 to 78 are an integral part of these financial statements.
The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement.
The profit for the Parent Company for the year was £5,768,000 (2020: loss of £4,139,000).
The financial statements were approved and authorised for issue by the Board on 29 March 2022 and signed on its behalf by:

Mike Salter
Chief Executive Officer
EKF Diagnostics Holdings plc
Registered no. 04347937

Marc Davies
Chief Financial Officer

Consolidated and Company's Statement of Cash Flows

for the year ended 31 December 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash flow from operating activities					
Cash generated by operations	35	**14,208**	20,798	**1,048**	9,754
Interest (paid)/received		**(36)**	(47)	**34**	(21)
Income tax paid		**(3,934)**	(6,942)	**(22)**	(911)
Net cash generated by operating activities		**10,238**	13,809	**1,060**	8,822
Cash flow from investing activities					
Purchase of investments		**-**	(3,810)	-	(3,810)
Purchase of property, plant and equipment (PPE)		**(4,335)**	(1,631)	**(259)**	(222)
Purchase of intangibles		**(1,314)**	(1,014)	**(521)**	-
Acquisition of subsidiaries, net of cash acquired	20	**84**	-	**(208)**	
Proceeds from sale of PPE	35	**43**	68	**-**	-
Proceeds from sale of investments		**-**	7,670	-	7,670
Interest received		**45**	53	**-**	-
Net cash (used in)/generated by investing activities		**(5,477)**	1,336	**(988)**	3,638
Cash flow from financing activities					
Share option buy back		**-**	(7)	**-**	(7)
Proceeds from issuance of Ordinary shares		**-**	209	-	209
Dividend		**(5,103)**	(4,550)	**(5,103)**	(4,550)
Repayments on borrowings		**(178)**	(183)	**-**	-
Principal lease payments		**(643)**	(469)	**(107)**	(109)
Dividend payment to non-controlling interest		**(231)**	(209)	**-**	-
Net cash used in financing activities		**(6,155)**	(5,209)	**(5,210)**	(4,457)
Net(decrease)/ increase in cash and cash equivalents		**(1,394)**	9,936	**(5,138)**	8,003
Cash and cash equivalents at beginning of year		**21,913**	12,074	**10,045**	1,999
Exchange (losses)/gains on cash and cash equivalents		**(178)**	(97)	**(28)**	43
Cash and cash equivalents at end of year	25	**20,341**	21,913	**4,879**	10,045

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Consolidated	Notes	Share capital £'000	Share premium account £'000	Other reserves £'000	Foreign currency reserve £'000	Retained earnings £'000	**Total £'000**	Non controlling interest £'000	**Total equity £'000**
At 1 January 2020		**4,541**	**-**	**6,648**	**3,183**	**56,199**	**70,571**	**601**	**71,172**
Comprehensive income/(expense)									
Profit for the year		-	-	-	-	11,114	**11,114**	271	**11,385**
Other comprehensive income /(expense)									
Changes in fair value of equity instruments at fair value through other comprehensive income/(expense)		-	-	4,348	-	-	**4,348**	-	**4,348**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income/(expense) to retained earnings		-	-	(5,642)	-	5,642	-	-	-
Taxation on profit on disposal of equity instruments at fair value		-	-	-	-	(1,072)	**(1,072)**	-	**(1,072)**
Currency translation differences		-	-	-	845	-	**845**	(111)	**734**
Total comprehensive income/(expense)		-	-	(1,294)	**845**	**15,684**	**15,235**	**160**	**15,395**
Transactions with owners									
Proceeds from share issue		9	200	-	-	-	**209**	-	**209**
Share option cancellation		-	-	-	-	(7)	**(7)**	-	**(7)**
Dividends to non-controlling interest		-	-	-	-	-	-	(209)	**(209)**
Dividends to owners		-	-	-	-	(8,360)	**(8,360)**	-	**(8,360)**
Total distributions to owners		**9**	**200**	**-**	**-**	**(8,367)**	**(8,158)**	**(209)**	**(8,367)**
At 31 December 2020 and 1 January 2021		**4,550**	**200**	**5,354**	**4,028**	**63,516**	**77,648**	**552**	**78,200**
Comprehensive income									
Profit for the year		-	-	-	-	**15,851**	**15,851**	**307**	**16,158**
Other comprehensive expense									
Changes in fair value of equity instruments at fair value through other comprehensive expense		-	-	**(321)**	-	-	**(321)**	-	**(321)**
Currency translation differences		-	-	-	**(1,215)**	-	**(1,215)**	**(11)**	**(1,226)**
Total comprehensive income		**-**	**-**	**(321)**	**(1,215)**	**15,851**	**14,315**	**296**	**14,611**
Transactions with owners									
Issue of ordinary shares as consideration for a business combination, net of transaction costs	20	89	7,175	-	-	-	**7,264**	-	**7,264**
Dividends to non-controlling interest		-	-	-	-	-	-	(230)	**(230)**
Dividends to owners	15	-	-	-	-	(5,103)	**(5,103)**	-	**(5,103)**
Total distributions to owners		**89**	**7,175**	**-**	**-**	**(5,103)**	**2,161**	**(230)**	**1,931**
At 31 December 2021		**4,639**	**7,375**	**5,033**	**2,813**	**74,264**	**94,124**	**618**	**94,742**

Company Statement of Changes in Equity

For the year ended 31 December 2021

Company	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2020	**4,541**	**-**	**6,607**	**39,917**	**51,065**
Comprehensive income/(expense)					
Loss for the year	-	-	-	(4,139)	**(4,139)**
Other comprehensive income/(expense)					
Changes in fair value of equity instruments at fair value through other comprehensive income/(expense)	-	-	4,348	-	**4,348**
Recycling of reserves in respect of disposal of equity instruments at fair value			(5,642)	5,642	**-**
Taxation on profit on disposal of equity instruments at fair value			-	(1,072)	**(1,072)**
Total comprehensive (expense)/income	-	-	(1,294)	431	**(863)**
Transactions with owners					
Proceeds from shares issued	9	**200**		-	**209**
Share option cancellation	-	-		(7)	**(7)**
Dividends to owners	-	-	-	(8,360)	**(8,360)**
Total contributions by and distributions to owners	9	**200**	-	(8,367)	**(8,158)**
At 31 December 2020 and 1 January 2021	4,550	**200**	-	31,981	**42,044**
Comprehensive income/(expense)					
Profit for the year	-	-	-	**5,768**	**5,768**
Other comprehensive income/(expense)					
Changes in fair value of equity instruments at fair value through other comprehensive income/(expense)	-	-	(321)	-	**(321)**
Total comprehensive income/(expense)	-	-	(321)	5,768	**5,447**
Transactions with owners					
Issue of ordinary shares as consideration for a business combination, net of transaction costs	89	**7,175**	-	-	**7,264**
Dividends to owners	-	-		(5,103)	**(5,103)**
Total contributions by and distributions to owners	**89**	**7,175**	-	**(5,103)**	**2,161**
At 31 December 2021	**4,639**	**7,375**	**4,992**	**32,646**	**49,652**

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for the year ended 31 December 2021

1. General information

EKF Diagnostics Holdings Plc is a company incorporated and domiciled in the United Kingdom. The Company is a public limited company, which is listed on the AIM market of the London Stock Exchange. The address of the registered office is Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ.

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

The financial statements are presented in British Pounds Sterling, the currency of the primary economic environment in which the Company's headquarters is operated. The Group comprises EKF Diagnostics Holdings plc and its subsidiary Companies as set out in note 19.

The registered number of the Company is 04347937.

2. Summary of significant accounting policies

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

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. EKF Diagnostics Holdings transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of EKF Diagnostics Holdings have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

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

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

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for Financial Reporting.

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

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2021 and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022, and have not been applied in preparing these financial statements. The Group does not anticipate a material impact within its financial statements as a result of the applicable standards and interpretations.

Going concern

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

While we have continued to see some disruption to our core business as a result of the COVID-19 pandemic, we have protected our core business as far as possible and core revenue has grown by 14% this year. It is clear that healthcare activities are returning to normal and that our base case forecasts for our core business are still applicable. While the pandemic has sadly been very costly for many in lives and income, EKF has been able to learn new skills and develop a business model which offers great possibilities in the post-pandemic world. However, we are adopting a pragmatic view that there will be a significant reduction in pandemic-related contract manufacturing activity for the remainder of the year.

Notes to the Financial Statements

for the year ended 31 December 2021

The Group has revenues from customers in Russia and an entity based there. As a result of the sanctions recently imposed on Russia by the EU, the USA and other countries, there are enhanced risks in respect of our Russian entity, including credit risk to cash balances, its ability to collect debtors, and our ability to import products into Russia. In preparing a downside going concern forecast we have discounted sales from this region.

While any further economic disruption stemming from the pandemic is impossible to forecast, the strength of the Group's balance sheet aligned to the continuing performance of the business gives the Directors confidence that the business can continue to meet its obligations as they fall due, even under our worst case scenarios, for at least the next 12 months. Accordingly, the directors are satisfied they can prepare the accounts on a going concern basis.

Basis of consolidation

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

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

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

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

Investments in subsidiaries are accounted for at cost less impairment.

Associates are all entities over which the group has significant influence but not control or joint control. At the beginning of the period, the Group had retained the voting rights covering the 31.1% shareholding in Trellus Health plc which was transferred to EKF shareholders by way of a dividend in specie. These voting rights vested in the shareholders of Trellus when an initial public offer was completed by Trellus. In 2020 this remaining investment was treated as an Investment in an associate, at a nominal value, and equity accounting was not applied as the impact of the equity accounting transactions were immaterial.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in British Pounds Sterling, which is the Company's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'administrative expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper- inflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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for the year ended 31 December 2021

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions. The information used to assess performance is by geography as income statements by product are not available.

Government grants

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

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%
Leasehold improvements	20% or over the life of the lease if under 5 years
Fixtures and fittings	16.7%-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 asset represents the value at acquisition of long term relationships with customers. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of between 5 and 15 years and is charged to administrative expenses in the income statement.

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(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. They represent the value at acquisition of expenditure Incurred on the development of new or substantially improved products or processes. 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 10 years. Amortisation commences when a new product is in commercial production. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful lives of development costs are reviewed at least on an annual basis.

The carrying value of capitalised development costs is reviewed for potential impairment at least annually and if a product becomes unviable and an impairment is identified the deferred development costs are immediately charged to the income statement.

(f) Software and website costs

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

Software costs are amortised over their estimated useful life, currently 6 - 10 years. Amortisation commences when software is in commercial use. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful life of software is reviewed at least on an annual basis.

The carrying value of capitalised software costs is reviewed for potential impairment at least annually and if an impairment is identified the costs are immediately charged to the income statement.

Impairment of non-financial assets

Assets that have an indefinite life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Financial assets

Classification

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

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

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(a) Financial assets at amortised cost

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

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

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

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

(c) Financial assets at fair value through Other Comprehensive Income

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

Inventories

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

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other than in the case of certain intercompany receivables, and large corporate customers, they are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses from past experience and are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables, where applicable 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.

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

Deferred consideration

Deferred consideration is recognised at fair value. Where the value of deferred consideration is based on a future event, the amounts of future payments are discounted to their present values at the date of completion. The discount rate used is the entity's incremental borrowing rate being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions. 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.

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Employee benefits

(a) Pension obligations

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

(b) Share-based compensation

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

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

The Group operates a cash-settled compensation plan for certain senior employees. During the period the previous scheme was closed and a new scheme put in place on broadly similar terms. Cash-settled share-based payments are measured at fair value at each reporting date and are expensed over the expected vesting period. The fair value amount is recognised in liabilities. Sensitivities relating to the valuation of the scheme are discussed in Note 31.

National insurance on share options

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

Revenue recognition

Revenue is accounted for in accordance with the principles of IFRS 15, which has been applied as follows:

(a) Sale of goods

Revenue for the sale of medical diagnostic instruments and reagents is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the goods net of sales taxes, rebates and discounts. Revenue from the sale of goods is recognised when control of the products has transferred which is when a Group Company has delivered products to the customer, the customer has accepted delivery of the products and collectability of the related receivables is reasonably assured. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Where contracts contain multiple deliverables, and the volume of each deliverable can be determined with reasonable certainty, then the transaction price will be allocated to each performance obligation based on the expected cost of each item.

(b) Sale of services

Revenue for the sale of services is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the services net of sales taxes, rebates and discounts. Revenue from the sale of services is recognised when a Group Company has completed the services and collectability of the related receivables is reasonably assured.

(c) Royalty and licence income

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

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Distributions in specie are recognised at the fair value of the assets distributed.

Other income

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

Exceptional items

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

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3. Financial risk management

Financial risk factors

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

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

(a) Market risk

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

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

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

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

Rate compared to GBP	Average rate 2021	Average rate 2020	Year end rate 2021	Year end rate 2020
Euro	1.162	1.127	1.190	1.117
Russian Rouble	101.558	94.889	101.549	101.139
US Dollar	1.374	1.293	1.354	1.366

As a guide to the sensitivity of the Group's results to movements in foreign currency exchange rates, a one per cent movement in the Euro, US Dollars and Russian Rouble to Sterling rate would impact annual earnings by approximately £125,000 (2020: £60,000), £117,000 (2020: £202,000), and £9,000 (2020: £8,000) respectively. The Company's results are not sensitive to changes in exchange rates.

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

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

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

(b) Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local subsidiary and operating business unit is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. It is the Group and Company policy to obtain deposits or require payment in advance from customers where possible, particularly overseas customers. In addition if possible the Group will seek confirmed letters of credit for the balances due. Credit risk is managed at the operating business unit level and monitored at the Group level to ensure adherence to Group policies. If there is no independent rating, local

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management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Where extended credit is granted, this is agreed by the Chief Financial Officer. Credit insurance is taken out where appropriate and cost effective.

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

(c) Liquidity risk

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

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

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

Rate compared to GBP	Less than one year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
At 31 December 2021:					
Borrowings	265	208	223	-	**696**
Lease liabilities	891	679	427	-	**1,997**
Deferred consideration	465	101	69	-	**635**
Trade and other payables	8,910	-	-	-	**8,910**
At 31 December 2020:					
Borrowings	185	185	138	-	**508**
Lease liabilities	402	301	411	-	**1,114**
Deferred consideration	2,901	-	-	-	**2,901**
Trade and other payables	13,051	-	-	-	**13,051**

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

(d) Capital risk management

Capital risk

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

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

Dividends on ordinary shares

Group and Company	2021 £'000	2020 £'000
Final dividend for the year ended 31 December 2020 of 1.1p per ordinary share	5,103	4,550
Dividend in specie of shares in Trellus Health plc at fair value	-	3,810

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In addition, since the year end the directors have recommended the payment of a final dividend of 1.2p per ordinary share (2020: 1.1p). The aggregate amount of the proposed dividend expected to be paid on 1 December 2022 out of retained earnings at 31 December 2021 but not recognised as a liability at year end is £5,567,000 (2020: £5,005,000) based on the shares in issue at 31 December 2021. In addition the directors intend to transfer substantially all the shares of the Group's increased holding in Verici Dx plc to shareholders by way of a dividend in specie, and have announced that the Company intends to acquire up to £4m of its Ordinary shares for cancellation.

(e) Fair value estimation

Fair value for the investments in Renalytix plc and Verici Dx plc were determined by reference to their published price quotation in an active market (classified as level 1 in the fair value hierarchy). The Investments have been classified as financial assets at fair value through Other comprehensive income.

	2021 £'000	2020 £'000
Group and Company		
AIM listed ordinary shares - Renalytix plc	6,218	4,889
AIM listed ordinary shares - Verici Dx plc	1,419	1,567

The Group and Company did not have any Level 2 or 3 classified financial assets as at 31 December 2021 (2020: none).

4. Critical accounting estimates and judgements

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

(a) Impairment of goodwill and other intangible assets and recoverability of investment in subsidiaries

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

(b) Share-based payments

A number of accounting estimates are incorporated within the calculation of the charge to the income statement in respect of share-based payments. These are described in more detail in note 31 including the impact of possible changes in the key assumptions.

(c) Acquisition accounting and valuation of identified intangible assets

Accounting for the acquisition of Advanced Diagnostic Laboratory LLC. (ADL) requires a number of accounting estimates. In particular the amount of deferred contingent calculation requires the use of estimates of future earnings. In addition a purchase price analysis has been carried out in order to identify and value Intangible Assets making up part of the assets acquired. These calculations require assumptions regarding future revenues and earnings. The acquisition is described in more detail in Note 20.

5. Segmental reporting

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

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

The reportable segments derive their revenue primarily from the manufacture and sale of medical diagnostic equipment and reagents. Other services include the servicing and distribution of third party company products under separate distribution agreements. Transactions between segments consist of the sale of products for resale. The basis of accounting for these transactions is the same as for external revenue. Currently the key operating performance measures used by the CODM are Revenue and adjusted EBITDA.

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for the year ended 31 December 2021

5. Segmental reporting continued

The segment information provided to the Board for the reportable segments for the year ended 31 December 2021 is as follows:

2021	Germany £'000	USA £'000	Russia £'000	UK £'000	**Total £'000**
Income statement					
Revenue	39,665	38,974	3,286	8,514	90,439
Inter-segment	(5,494)	(2,918)	-	(191)	(8,603)
External revenue	**34,171**	**36,056**	**3,286**	**8,323**	**81,836**
Adjusted EBITDA*	**11,480**	**12,735**	**981**	**1,293**	**26,489**
Exceptional items (Note 7)	(452)	-	-	357	(95)
Share-based payments (Note 30)	-	-	-	1,238	1,238
EBITDA	**11,028**	**12,735**	**981**	**2,888**	**27,632**
Depreciation	(752)	(938)	(57)	(294)	(2,041)
Amortisation	(1,525)	(1,383)	-	(936)	(3,844)
Operating profit	**8,751**	**10,414**	**924**	**1,658**	**21,747**
Finance income	-	7	38	-	45
Finance cost	(31)	(37)	-	(289)	(357)
Income tax	(2,806)	(2,402)	(193)	124	(5,277)
Profit for the year	**5,914**	**7,982**	**769**	**1,493**	**16,158**
Segment assets					
Operating assets	29,672	59,803	431	29,860	119,766
Inter-segment assets	(1,441)	(16,712)	-	(6,835)	(24,988)
External operating assets	28,231	43,091	431	23,025	94,778
Cash	8,384	5,734	1,344	4,879	20,341
Total assets	**36,615**	**48,825**	**1,775**	**27,904**	**115,119**
Segment liabilities					
Operating liabilities	6,387	24,796	167	13,319	44,669
Inter-segment liabilities	(608)	(17,703)	-	(6,677)	(24,988)
External operating liabilities	5,779	7,093	167	6,642	19,681
Borrowings	303	393	-	-	696
Total liabilities	**6,082**	**7,486**	**167**	**6,642**	**20,377**
Other segmental information					
Non-current assets - PPE	5,628	8,291	80	1,992	15,991
Non-current assets - Intangibles	15,429	16,911	76	9,478	41,894
PPE - additions	693	3,366	17	1,610	5,686
Intangible assets - additions	694	8,171	-	521	9,386

* *Adjusted EBITDA excludes exceptional items and share-based payments. The UK includes head office costs.*

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for the year ended 31 December 2021

5. Segmental reporting (continued)

2020	Germany £'000	USA £'000	Russia £'000	UK^ £'000	**Total £'000**
Income statement					
Revenue	25,637	39,459	2,904	4,432	72,432
Inter-segment	(5,351)	(1,767)	-	(54)	(7,172)
External revenue	**20,286**	**37,692**	**2,904**	**4,378**	**65,260**
Adjusted EBITDA*	**7,343**	**20,094**	**833**	**(2,754)**	**25,516**
Exceptional items (Note 7)	877	-	-	405	1,282
Share-based payments (Note 31)	-	-	-	(5,292)	(5,292)
EBITDA	**8,220**	**20,094**	**833**	**(7,641)**	**21,506**
Depreciation	(787)	(511)	(24)	(522)	(1,844)
Amortisation	(1,646)	(1,120)	(1)	-	(2,767)
Operating profit/(loss)	**5,787**	**18,463**	**808**	**(8,163)**	**16,895**
Finance income	2	13	39	(1)	53
Finance cost	(26)	-	-	(1,566)	(1,592)
Income tax	(820)	(3,497)	(171)	517	(3,971)
Profit for the year	**4,943**	**14,979**	**676**	**(9,213)**	**11,385**
Segment assets					
Operating assets	39,961	36,899	355	30,529	107,744
Inter-segment assets	(112)	(11,427)	-	(16,853)	(28,392)
External operating assets	39,849	25,472	355	13,676	79,352
Cash	3,130	7,459	1,257	10,067	21,913
Total assets	**42,979**	**32,931**	**1,612**	**23,743**	**101,265**
Segment liabilities					
Operating liabilities	7,135	17,836	158	25,820	50,949
Inter-segment liabilities	(1,332)	(14,915)	-	(12,145)	(28,392)
External operating liabilities	5,803	2,921	158	13,675	22,557
Borrowings	508	-	-	-	508
Total liabilities	**6,311**	**2,921**	**158**	**13,675**	**23,065**
Other segmental information					
Non-current assets - PPE	5,912	4,632	93	3,002	13,639
Non-current assets - Intangibles	24,039	10,979	77	1,956	37,051
PPE - additions	779	575	54	741	2,149
Intangible assets - additions	679	335	-	-	1,014

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

^ *The UK segment was presented as "Other" in the 2020 financial information. There have been no changes to the numbers presented.*

The UK includes head office costs.

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5. Segmental reporting (continued)

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

	2021 £'000	2020 £'000
Americas		
United States of America	**31,522**	33,474
Rest of Americas	**3,248**	2,391
Europe, Middle East and Africa (EMEA)		
Germany	**7,942**	5,873
United Kingdom	**8,848**	4,522
Ireland	**14,292**	5,408
Rest of Europe	**4,616**	3,127
Russia	**3,286**	2,904
Middle East	**1,464**	1,261
Africa	**2,323**	2,553
Asia and Rest of World		
China	**985**	767
Rest of Asia and Oceania	**3,310**	2,980
Total revenue	**81,836**	65,260

Revenues of £14,225,000 (17.4%) were derived from one external customer. Sales to this customer all relate to Europe. In 2020 revenues of £16,960,000 (26.0%) were derived from a different customer, all of whose revenues relate to the USA.

6. Expenses – analysis by nature

	2021 £'000	2020 £'000
Inventories consumed in cost of sales	**18,364**	12,502
Employee benefit expense (note 10)	**17,941**	23,744
Employee costs capitalised as intangible assets	**(419)**	(441)
Depreciation and amortisation	**5,885**	4,611
Exceptional items (note 7)	**95**	(1,282)
Research and development expenses	**1,378**	1,440
Foreign exchange	**61**	(26)
Other expenses	**16,874**	7,950
Total cost of sales and administrative expenses	**60,179**	48,498

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

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7. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	Note	2021 £'000	2020 £'000
- Warranty claim	a	**285**	1,414
- Settlement of warranty claim and deferred consideration	a	**(179)**	-
- Business reorganisation costs	b	**(37)**	(58)
- Acquisition costs	c	**(164)**	-
- Cost of Trellus set-up	d	**-**	(74)
Exceptional items		**(95)**	1,282

a. Change in the value of an estimated warranty claim which offsets the deferred consideration of £3.2m (2020: £2.9m) relating to a share-based payment to the former owner of EKF-Diagnostic GmbH. The dispute has now been settled resulting in a payment in cash to the former owner of £179,000. The remaining warranty claim and deferred consideration have both been written down and there is no further liability.
b. Restructuring costs, mainly closure costs, associated in 2020 with the closure of EKF's Polish facility and other restructuring activities, and in 2021 with EKF Ireland.
c. Professional fees relating to the acquisition of Advanced Diagnostic Laboratory LLC
d. Start-up costs in 2020 associated with the set-up of Trellus Health plc.

8. Auditor remuneration

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

	2021 £'000	2020 £'000
Fees payable to Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	**46**	44
Fees payable to the Company's auditor and its associates for other services:		
- The audit of Company's subsidiaries	**123**	90
	169	134

9. Directors' emoluments

	2021 £'000	2020 £'000
Aggregate emoluments	**5,819**	1,193
Share-based payments	**(1,022)**	4,998
Contribution to defined contribution pension scheme	**19**	21
	4,816	6,212

Retirement benefits are accruing to 2 (2020: 2) current directors under a defined contribution scheme. See further disclosures within the Remuneration Report on page 31. The highest paid director received aggregate emoluments, including the effect of the share-based payments charge, of £2,137,000 (2020: £3,055,000).

Notes to the Financial Statements

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10. Employee benefit expense

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Wages and salaries	**15,944**	15,971	**3,275**	2,705
Social security costs	**2,535**	2,219	**365**	277
Share-based payments granted to Directors and senior management (Note 31)	**(1,238)**	5,292	**(1,238)**	568
Other pension costs (Note 33)	**281**	262	**101**	71
	17,522	23,744	**2,503**	3,621

Employee costs of £0.4m (2020: £0.4m) have been capitalised as part of development costs in the Group.

11. Monthly average number of people employed

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Monthly average number of people (including Executive Directors) employed was:				
Administration	**54**	53	**9**	9
Research and development and regulatory	**32**	22	**13**	10
Sales and marketing	**59**	56	**8**	9
Manufacturing, production and after sales	**230**	173	**9**	1
	375	304	**39**	29

The total number of employees (FTEs) in the Group at 31 December 2021 was 386 (2020: 310), and in the Company was 41 (2020: 20). In addition the average number of agency workers who were mainly utilised in manufacturing was 88 (2020: 34) in the Group and 32 (2020:17) in the Company. The cost of these workers was £3,303,000 (2020: £880,000) in the Group and £919,000 (2020: £644,000) in the Company.

12. Finance income and costs

	2021 £'000	2020 £'000
Finance costs:		
- Bank borrowings	**(35)**	(17)
- Other interest	**(1)**	(30)
- IFRS 16 interest	**(32)**	(29)
- Financial liabilities at fair value through profit or loss	**(289)**	(1,516)
Finance costs	**(357)**	(1,592)
Finance income		
- Other interest	**45**	53
Finance income	**45**	53
Net finance costs	**312**	(1,539)

Notes to the Financial Statements

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13. Income tax charge

Group	2021 £'000	2020 £'000
Current tax:		
Current tax on profit for the year	**5,096**	3,913
Adjustments for prior periods	**96**	89
Total current tax	**5,192**	4,002
Deferred tax (note 29):		
Origination and reversal of temporary differences	**85**	(31)
Total deferred tax	**85**	(31)
Income tax charge	**5,277**	3,971

A change to the main UK corporation tax rate was included in the Finance Bill 2021, which had its third reading on 24 May 2021, and is now considered substantively enacted. The rate applicable from 1 April 2020 to 31 March 2023 remains at 19% but the rate from 1 April 2023 will increase to 25%. Deferred taxes at the reporting date have been measured using these enacted tax rates and reflected in these financial statements.

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

	2021 £'000	2020 £'000
Profit before tax	**21,435**	15,356
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19% (2020: 19%)	**4,072**	2,918
Tax effects of:		
- Expenses not deductible for tax purposes	**552**	572
- Remeasurement of deferred tax - change in future tax rate	**630**	277
- Income not subject to tax	**(91)**	(35)
- Effect of share based payments	**(1,186)**	-
- Utilisation of losses	**(21)**	(725)
- Adjustment in respect of prior years	**96**	(89)
- Impact of different tax rates in other jurisdictions	**1,024**	1,073
- Other movements	**201**	(20)
Tax charge	**5,277**	3,971

In the Group and the Company, Changes in fair value of equity at fair value through comprehensive income are shown net of corporation tax of £1,502,000 (2020: £1,072,000).

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14. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of Ordinary Shares in issue during the year.

	2021 £'000	2020 £'000
Profit attributable to owners of the parent	**15,851**	11,114
Weighted average number of Ordinary Shares in issue	**457,001,067**	454,524,101
Basic profit per share	**3.47 pence**	2.45 pence

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding assuming conversion of all dilutive potential Ordinary Shares. The Company has one category of dilutive potential ordinary shares being share options.

	2021 £'000	2020 £'000
Profit attributable to owners of the parent	**15,851**	11,114
Weighted average number of Ordinary Shares including potentially dilutive shares	**460,957,067**	458,803,076
Diluted profit per share	**3.44 pence**	2.42 pence

	2021	2020
Weighted average number of Ordinary Shares in issue	**457,001,067**	454,524,101
Adjustment for:		
- Assumed conversion of share awards	**12,640**	235,035
- Assumed payment of equity deferred consideration	**3,944,226**	4,043,940
Weighted average number of Ordinary Shares including potentially dilutive shares	**460,957,933**	458,803,076

15. Dividends

In December 2021, the Company paid a final dividend for 2020 of 1.1p (2020: 1.0p) per ordinary share, at a total value of £5,103,000 (2020: £4,550,000). Subject to continuing strong performance and the needs of the business, the Board intends to follow a progressive dividend policy. The Directors propose, subject to approval at the Company's next Annual General Meeting, the payment of a final dividend for 2021 of 1.2p per EKF Ordinary share held on 3 November 2022. Payment will be made on 1 December 2022. The expected total value is £5,567,000. In addition the Board has noted that it intends to distribute the enlarged holding of Verici Dx to underlying shareholders as soon as reasonably practicable and subject to appropriate arrangements to maintain an orderly market in Verici's shares following such distribution.

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16. Property, plant and equipment

Group	Land and buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Assets under construction £'000	Right-of-use asset £'000	**Total £'000**
Cost							
At 1 January 2020	9,760	1,552	10,275	178	614	1,341	23,720
Additions	63	122	340	54	1,052	518	2,149
Exchange differences	85	26	412	(30)	18	(14)	497
Transfers	302	(285)	928	-	(945)	-	-
Disposals	-	(26)	(146)	(1)	(4)	(245)	(422)
At 31 December 2020	**10,210**	**1,389**	**11,809**	**201**	**735**	**1,600**	**25,944**
Accumulated depreciation							
At 1 January 2020	1,814	1,166	7,117	103	-	339	10,539
Charge for the year	302	128	902	23	-	489	1,844
Exchange differences	(4)	22	300	(18)	-	(2)	298
Transfers	188	(188)	-	-	-	-	-
Disposals	-	(26)	(105)	-	-	(245)	(376)
At 31 December 2020	**2,300**	**1,102**	**8,214**	**108**	**-**	**581**	**12,305**
Net book value at 31 December 2020	**7,910**	**287**	**3,595**	**93**	**735**	**1,019**	**13,639**
Cost							
At 1 January 2021	10,210	1,389	11,809	201	735	1,600	25,944
Acquired with subsidiary (Note 20)	4	-	818	-	-	111	933
Additions	480	643	740	17	2,455	1,351	5,686
Exchange differences	(195)	(48)	(271)	(2)	(19)	12	(523)
Transfers	219	130	339	-	(688)	-	-
Disposals	(7)	(102)	(247)	(56)	(13)	(64)	(489)
At 31 December 2021	**10,711**	**2,012**	**13,188**	**160**	**2,470**	**3,010**	**31,551**
Accumulated depreciation							
At 1 January 2021	2,300	1,102	8,214	108	-	581	12,305
Charge for the year	328	290	786	24	-	613	2,041
Exchange differences	(26)	(42)	(137)	(2)	-	5	(202)
Transfers	-	-	-	-	-	-	-
Disposals	(7)	(101)	(238)	(49)	-	(64)	(459)
At 31 December 2021	**2,595**	**1,249**	**8,625**	**81**	**-**	**1,135**	**13,685**
Net book value at 31 December 2021	**8,116**	**763**	**4,563**	**79**	**2,470**	**1,875**	**17,866**

Depreciation expense of £855,000 (2020: £918,000) has been charged to cost of sales and £1,186,000 (2020: £926,000) has been charged to administrative expenses.

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16. Property, plant and equipment (continued)

Company	Land and buildings £'000	Fixtures & fittings £'000	Assets under construction £'000	Right-of-use asset £'000	Total £'000
Cost					
At 1 January 2020	1,673	216	-	346	2,235
Additions	-	92	130	213	435
Disposals	-	-	-	(152)	(152)
At 31 December 2020	**1,673**	**308**	**130**	**407**	**2,518**
Accumulated depreciation					
At 1 January 2020	323	149	-	76	548
Charge for the year	40	40	-	155	235
Disposals	-	-		(152)	(152)
At 31 December 2020	**363**	**189**	-	**79**	**631**
Net book value at 31 December 2020	***1,310***	***119***	***130***	***328***	***1,887***
Cost					
At 1 January 2021	1,673	308	130	407	2,518
Additions	-	258	-	156	414
Transfers	-	130	(130)	-	-
At 31 December 2021	**1,673**	**696**	-	**563**	**2,932**
Accumulated depreciation					
At 1 January 2021	363	189	-	79	631
Charge for the year	39	169	-	117	325
At 31 December 2021	402	358	-	196	956
Net book value at 31 December 2021	**1,271**	**338**	-	**367**	**1,976**

The Company's freehold property is in Germany and occupied by its subsidiary undertaking, EKF- diagnostic GmbH. EKF-diagnostic GmbH is paying rental income of €13,900 (£12,400) per month to the parent Company. €167,000 (£140,336) (2020: €167,000 (£149,330)) was paid to the parent Company for the year. The Company adopts the cost model and shows the investment property at cost less accumulated depreciation and any accumulated impairment losses. As the property is occupied by a subsidiary, it does not meet the definition of an investment property for the Group.

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17. Leases

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Properties	**1,531**	859	**362**	321
Equipment	**248**	65	**5**	7
Motor vehicles	**96**	95	**-**	-
Total right-of-use	**1,875**	1,019	**367**	**328**

Lease liabilities				
Current	**838**	380	**184**	158
Non-current	**1,095**	690	**207**	221
Total lease liabilities	**1,933**	1,070	**391**	**379**

Additions to the right-of-use assets during the 2021 financial year were £1,351,000 (2020: £518,000) for the Group and £156,000 (2020: £213,000) for the Company.

(ii) Amounts recognised in the statement of Comprehensive income

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

Depreciation charge right-of-use assets	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Properties	**481**	371	**114**	154
Equipment	**65**	60	**3**	1
Motor vehicles	**67**	58	**-**	-
Total right-of-use	**613**	489	**117**	155
Interest expense (included in finance cost)	**32**	29	**7**	7

The total cash outflow for leases in 2021 was £643,000 (2020: £469,000) for the Group and £107,000 (2020: £109,000) for the Company

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

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

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

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

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

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group.

Notes to the Financial Statements

for the year ended 31 December 2021

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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

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

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

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

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

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

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for the year ended 31 December 2021

18. Intangible assets

Group	Goodwill £'000	Trademarks trade name and licences £'000	Customer relationships £'000	Trade secrets £'000	Development costs £'000	Software & website £'000	Total £'000
Cost							
At 1 January 2020	26,371	2,799	15,580	18,436	9,060	299	72,545
Additions	-	146	-	-	586	282	1,014
Disposals	-	-	-	-	(5,482)	-	(5,482)
Exchange differences	632	372	(39)	620	289	12	1,886
At 31 December 2020	**27,003**	**3,317**	**15,541**	**19,056**	**4,453**	**593**	**69,963**
Accumulated amortisation and impairment							
At 1 January 2020	2,550	2,389	10,358	13,141	6,340	-	34,778
Disposals	-	-	-	-	(5,474)	-	(5,474)
Exchange differences	55	201	(47)	401	231	-	841
Charge for the year	-	357	1,245	919	246	-	2,767
At 31 December 2020	**2,605**	**2,947**	**11,556**	**14,461**	**1,343**	**-**	**32,912**
Net book value at 31 December 2020	**24,398**	**370**	**3,985**	**4,595**	**3,110**	**593**	**37,051**
Cost							
At 1 January 2021	27,003	3,317	15,541	19,056	4,453	593	69,963
Acquisition of subsidiary	3,755	467	1,166	-	-	2,684	8,072
Additions	-	104	-	-	1,137	73	1,314
Transfer	-	152	-	-	(152)	-	-
Disposals	(1,407)	(19)	(749)	(1,073)	(288)	-	(3,536)
Exchange differences	(793)	263	(252)	(655)	(127)	20	(1,544)
At 31 December 2021	**28,558**	**4,284**	**15,706**	**17,328**	**5,023**	**3,370**	**74,269**
Accumulated amortisation and impairment							
At 1 January 2021	2,605	2,947	11,556	14,461	1,343	-	32,912
Disposals	(1,407)	(19)	(749)	(1,073)	(288)	-	(3,536)
Exchange differences	(21)	(144)	(203)	(454)	(24)	1	(845)
Charge for the year	-	237	1,221	1,730	548	108	3,844
At 31 December 2021	**1,177**	**3,021**	**11,825**	**14,664**	**1,579**	**109**	**32,375**
Net book value at 31 December 2021	**27,381**	**1,263**	**3,881**	**2,664**	**3,444**	**3,261**	**41,894**

Amortisation charge of £55,000 (2020: £20,000) has been charged to cost of sales and £3,789,000 (2020: £2,747,000) has been charged to administrative expenses in the income statement (net of the profit on the sale of intangible assets).

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for the year ended 31 December 2021

Company	Development costs £'000
Cost	
At 1 January 2020	1,470
Disposals	(1,342)
At 31 December 2020	**128**
Accumulated amortisation	
At 1 January 2020	1,341
Disposals	(1,341)
At 31 December 2020	**-**
Net book value at 31 December 2020	**128**
Cost	
At 1 January 2021	128
Additions	521
At 31 December 2021	**649**
Accumulated amortisation	
At 1 January 2021	-
Charge for the year	51
At 31 December 2021	**51**
Net book value at 31 December 2021	**598**

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

	2021 £'000	2020 £'000
Germany	**7,394**	7,655
DiaSpect	**9,434**	10,050
Russia	**77**	77
Stanbio	**5,648**	5,599
STI	**1,026**	1,017
ADL	**3,802**	-
Total	**27,381**	**24,398**

Germany includes EKF-Diagnostic, and Senslab.

Goodwill is tested for impairment at the balance sheet date. The recoverable amount of goodwill at 31 December 2021 was assessed on the basis of value in use. The assessed value exceeded the carrying value and no impairment loss was recognised.

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

Notes to the Financial Statements

for the year ended 31 December 2021

The key assumptions used in 2021 for the value in use calculations of cash generating units with significant goodwill are as follows:

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

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

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

For DiaSpect, the impairment assessment has been carried out over a 5 year period with a terminal value based on the long-term growth rate. The Directors estimate that growth rates in the 5 year period for the DiaSpect products will be high because they are relatively new products that will bring market benefits, which have recently received approval for sale to blood banks in the USA. In Year 1 a growth rate of 0% has been used, reflecting the impact of the COVID pandemic on its product sales, followed by 5% in year 2 - 4, marking a return to pre-COVID levels of sales plus the anticipated growth from partners and from entering the US blood bank market. The forecast growth rates then fall to 3% thereafter. The Directors believe the product will be sold at a margin equivalent to other products sold by the Group. A 7.2% increase in the discount rate or a reduction in forecast revenue growth rates in year 2-5 to (3.5)% would result in an impairment.

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

Trade name	1-10 years
Customer relations	2-10 years
Trade secrets	1-10 years
Website and software	6-10 years
Development costs	3-10 years

During the year, EKF Diagnostics Limited, the Group's entity in Ireland, was put into shareholder's voluntary liquidation, completing the closure of the Group's former Irish operations. As a result Intangible assets with a gross value of £2,284,000 and a net value of £nil have been written off. Following the liquidation of the Group's business in Poland, Intangible assets with a gross value of £964,000 and a net value of £nil have been written off.

On September 27 2021 the Group acquired Advanced Diagnostic Laboratory LLC (ADL), a Texas based testing laboratory, for an initial consideration of $10m, payable largely through the issuance of the Company's Ordinary shares. In addition the Group agreed to pay an amount in cash representing the balance of net working capital in ADL at completion, as well as further performance-based consideration payable over the following three years from completion. Further details of this acquisition are given in Note 20.

On acquisition the Group identified the following Intangible Assets:

	£'000
Trade name	467
Customer relationships	1,166
Website and software	2,684
Goodwill	3,755
Total	**8,072**

The useful life of these assets has been estimated at 10 years in each case. An Impairment review has been carried out a 5 year period with a terminal value based on the long term growth rate. The Directors estimate a growth rate of 3%. The Directors believe that the business will continue to achieve a margin similar to that it made before acquisition. Using a growth rate of 1% or an increased discount rate of 13% would result in an impairment.

Notes to the Financial Statements

for the year ended 31 December 2021

19. Investments in subsidiaries

Company Shares in Group undertakings	2021 £'000	2020 £'000
At 1 January	**30,521**	30,521
Acquisition of Advanced Diagnostic Laboratory LLC	**7,925**	-
At 31 December	**38,446**	30,521

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

The subsidiaries of EKF Diagnostics Holdings plc as at 31 December 2021, which are held directly unless noted otherwise, are as follows:

Name of Company	Note	Proportion Held	Class of Shareholding	Nature of Business
EKF Diagnostics Limited (UK)*	1	100%	Ordinary	Head Office
Quotient Diagnostics Limited*	1	100%	Ordinary	Sale of diagnostic equipment
360 Genomics Limited*	1	100% (indirect)	Ordinary	Sale of diagnostic equipment
EKF Molecular Diagnostics Limited*	1	100%	Ordinary	Manufacture and sale of diagnostic equipment
DiaSpect Medical AB	2	100%	Ordinary	Head office and IP licencing
DiaSpect Medical GmbH	3	100% (Indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
EKF-diagnostic GmbH	3	100%	Ordinary	Manufacture and sale of diagnostic equipment and consumables
Senslab GmbH	3	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
000 EKF Diagnostika	4	60% (indirect)	Ordinary	Sale of diagnostic equipment
EKF Diagnostics Inc	5	100%	Ordinary	Intermediate holding company
Stanbio Laboratory LP	5	100% (indirect)	Partnership	Manufacture and sale of diagnostic equipment and consumables
Separation Technology, Inc	5	100% (indirect)	Ordinary	Manufacture and sale of diagnostic equipment and consumables
1261 N Main LP	5	100% (indirect)	Partnership	Dormant
Stanlab Management LLC	5	100% (indirect)	Ordinary	Dormant
1261 N Main Management LLC	5	100% (indirect)	Ordinary	Dormant
EKF POC, LLC	5	100% (indirect)	Ordinary	Dormant
Advanced Diagnostic Laboratory LLC	6	100%	Ordinary	Consumer and corporate testing
Argutus Intellectual Property Limited	7	100%	Ordinary	Dormant
EKF Diagnostics (Shanghai) Co. Ltd	8	100%	Ordinary	Dormant

Notes

1. Incorporated, registered and having its principal place of business in the United Kingdom, with its registered office being Avon House, 19 Stanwell Road, Penarth Vale of Glamorgan, CF64 2EZ.
2. Incorporated in Sweden. The principal place of business is in Germany. The registered address is Lytta Gard, 75593 Uppsala, Sweden.
3. Incorporated, registered, and having its principal place of business in Germany at Ebendorfer Chaussee 3, 39179 Barleben, Germany.
4. Incorporated, registered, and having its principal place of business in Russia at 117648, Moscow, PO Box: 30, District Severnoe Chertanovo, House 2, building 207.
5. Incorporated and registered, or formed, and having its principal place of business in the United States of America at 1261 North Main Street, Boerne, Texas, USA 78006.
6. Incorporated and registered, or formed, and having its principal place of business in the United States of America at 1077 Central Parkway S,. Suite 200, San Antonio, Texas, USA 78232
7. Incorporated and registered in Ireland c/o Mazars, Harcourt Centre, Block 3, Harcourt Road, Dublin 2. Its principal place of business is in the United Kingdom.
8. Incorporated and registered in China, Suite 1202, Jin Hong Qiao International Center Building I, No. 523 Loushan-guan Road, Changning District, Shanghai, P.R.C.200051

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In October 2021 the Group's former company EKF Diagnostics Limited based in Ireland was liquidated.

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

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

20. Business combination

Acquisition of Advanced Diagnostic Laboratory LLC

On 27 September 2021 the Group acquired 100% of the membership interest in Advanced Diagnostic Laboratory LLC,. (ADL), a US company which provides PCR and other testing services.

The goodwill of £3,755,000 arising from the acquisition is attributable to the expected future benefits arising from the acquired business.

The following table summarises the provisional fair values of the consideration paid for ADL and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. Acquisition costs of £164,000 have been written off against income, and disclosed as an exceptional item.

	Provisional fair values £'000
Consideration	
Equity instruments	7,264
Cash	29
Deferred contingent consideration	632
	7,925
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade name - included within intangibles	467
Customer relationships - included in intangibles	1,166
Website and software - included in intangibles	2,684
Plant, property and equipment	933
Cash	113
Inventories	269
Trade and other debtors	154
Borrowings	(388)
Trade and other payables	(322)
Deferred tax	(906)
Total identifiable net assets	**4,170**
Goodwill	**3,755**

The amount of deferred contingent consideration has been discounted to take account of the time value of money.

The revenue included in the consolidated statement of comprehensive income since 27 September contributed by ADL was £1.03m. ADL also contributed a profit of £0.05m after tax over the same period.

Had ADL been consolidated from 1 January 2021 the consolidated statement of income would show proforma revenue of £87.5m and a profit of £18.0m.

Notes to the Financial Statements

for the year ended 31 December 2021

21. Financial instruments by category

(a) Assets

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
31 December				
Assets as per balance sheet				
Financial assets at fair value through other comprehensive income	7,789	6,608	7,789	6,608
Trade and other receivables excluding prepayments and corporation tax	11,005	12,312	2,983	7,987
Cash and cash equivalents	20,341	21,913	4,879	10,045
Total	**39,135**	**40,833**	**15,651**	**24,640**

(b) Liabilities

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
31 December				
Liabilities as per balance sheet				
Borrowings	696	508	-	-
Lease liabilities	1,933	1,070	391	328
Trade and other payables (excluding deferred grants and deferred income)	7,379	13,051	4,690	12,097
Deferred consideration	635	2,901	635	2,901
Total	**10,643**	**17,530**	**5,716**	**15,326**

Liabilities in the analysis above are all categorised as 'other financial liabilities at amortised cost' for the Group and Company, with the exception of deferred contingent equity consideration totalling £237,000 (2020: £2,901,000) that is categorised as a financial liability at fair value through profit and loss (see note 28). Borrowings have been included at fair value which is not materially different to amortised cost.

(c) Credit quality of financial assets

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

The Group's maximum exposure to credit risk, due to the failure of counterparties to perform their obligations as at 31 December 2021 and 31 December 2020, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets.

Trade receivables

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

Cash at bank

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

	2021 £'000	2020 £'000
A+	4,879	10,045
AA-	572	596
A	73	-
A-	5,544	-
Ratings lower than AA- or unrated	9,273	11,272
Total	***20,341***	***21,913***

Notes to the Financial Statements

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22. Investments

Group and Company	2021 £'000	2020 £'000
1 January	6,608	9,900
Change in fair value through other comprehensive income	1,181	4,348
Disposal	-	(7,640)
31 December	**7,789**	**6,608**

The investments consist of a 0.66% holding in Epinex Diagnostics Inc., a US based privately held company operating in the medical diagnostics industry; a 19.90% holding in DX Economix, Inc., a Canadian based privately held company operating in the healthcare consultancy industry, the value of which has been 100% impaired. The Group held a 1.39% holding (2020 1.39%) in Renalytix plc, an AIM listed developer of artificial intelligence enabled diagnostics for kidney disease, with a fair value at 31 December 2021 of £6.22m and a 1.89% (2020 : 1.89%) holding in Verici Dx plc, an AIM listed developer of advanced clinical diagnostics for organ transplant, with a fair value at 31 December of £1.42m. In each case the fair value is calculated using the quoted mid price.

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

23. Trade and other receivables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Non-current				
Amounts owed by subsidiary undertakings	-	-	1,860	6,670
Current				
Trade receivables	11,010	9,181	1,085	1,231
Less: provision for impairment of trade receivables	(148)	(87)	-	-
Trade receivables – net	10,862	9,094	1,085	1,231
Prepayments	2,302	870	292	158
Other receivables	812	3,589	40	87
	13,976	**13,553**	**1,417**	**1,476**

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

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

As of 31 December 2021,in the Group trade receivables of £2,208,000 (2020: £2,062,000) were past due but not covered by a loss allowance. In the Company, £678,000 (2020: £395,000) were past due but not covered by a loss allowance. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Up to 3 months	1,835	2,000	595	394
3 to 6 months	179	8	-	1
Over 6 months	194	54	83	-
	2,208	**2,062**	**678**	**395**

As of 31 December 2021, trade receivables of £148,000 (2020: £87,000) were subject to a loss allowance. The Company does not hold a loss allowance. The ageing of these receivables is as follows:

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Up to 3 months	71	34	-	-
3 to 6 months	57	39	-	-
Over 6 months	20	14	-	-
Total	**148**	**87**	**-**	**-**

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

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
At 1 January	87	181	-	-
Provision for receivables impairment	81	24	-	-
Acquired with subsidiaries	8	-	-	-
Unused amounts reversed	(26)	(118)	-	-
Exchange differences	(2)	-		-
At 31 December	**148**	**87**	**-**	**-**

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

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

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
UK Sterling	1,417	1,476	1,417	1,477
Euros	3,890	6,340	52	2,083
US dollar	8,615	5,702	1,808	4,586
Russian rouble	54	35	-	-
	13,976	**13,553**	**3,277**	**8,146**

24. Inventories

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Raw materials	9,117	5,854	442	513
Work in progress	1,431	931	25	-
Finished goods	2,690	1,702	8	118
	13,238	**8,487**	**475**	**631**

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The carrying values above are stated net of impairment provisions of £3,455,000 (2020: £2,810,000). The Company does not hold any impairment provisions.

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £18,364,000 (2020: £12,502,000), and in the Company £2,331,000 (2020: £1,359,000).

25. Cash and cash equivalents

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash at bank and in hand	20,341	21,913	4,879	10,045
Cash and cash equivalents (excluding bank overdrafts)	**20,341**	**21,913**	**4,879**	**10,045**

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. Net cash of £19,645,000 (2020: £21,405,000) is presented as gross cash of £20,341,000 (2020: £21,913,000) net of borrowings of £696,000 (2020: £508,000) detailed in Note 27. This excludes lease liabilities as shown in Note 17.

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26 Trade and other payables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade payables	4,435	2,408	206	189
Amounts due to subsidiary undertakings	-	-	3,532	3,766
Social security	168	148	89	64
Other payables	840	6,733	505	6,535
Accrued expenses and deferred income	3,635	5,146	448	1,608
	9,078	**14,435**	**4,780**	**12,162**

Other payables consists mainly of VAT liabilities and an accrual relating to the cash settled share-based incentive scheme. The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature. Trade payables are unsecured and are usually paid within 30 days of recognition. Amounts due by the Company to its subsidiaries are interest free and repayable on demand.

27. Borrowings

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Non-current				
Bank borrowings	**431**	323	-	-
	431	**323**	-	-
Current				
Bank borrowings	**265**	185	-	-
	265	**185**	-	-

The maturity profile of borrowings was as follows:

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Amounts falling due				
Within 1 year	265	185	-	-
Between 1 and 2 years	208	185	-	-
Between 2 and 5 years	223	138	-	-
More than 5 years	-	-	-	-
Total borrowings	**696**	**508**	-	-

Bank borrowings

Bank borrowings mature between 2022 and 2026 and bear an average fixed coupon of 3.76% annually (2020: 2.5%).

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

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

The Euro bank borrowings are repayable by quarterly instalments. The Dollar bank borrowings are repayable by monthly instalments.

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

Notes to the Financial Statements

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

The carrying amounts of the group's bank borrowings are denominated as follows:

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
Euro	304	508	-	-
US Dollar	392	-	-	-
	696	**508**	**-**	**-**

28. Deferred consideration

	Group 2021 £'000	Group 2020 £'000	**Company 2021 £'000**	Company 2020 £'000
At 1 January	2,901	1,385	2,901	1,385
Fair value adjustment	285	1,516	285	1,516
Payment	(179)	-	(179)	-
Additions	632	-	632	-
Written down	(3,007)	-	3,007)	-
Interest	3	-	3	-
At 31 December	**635**	**2,901**	**635**	**2,901**

The deferred consideration at 1 January consisted of 4,043,940 Ordinary Shares originally valued at £605,000 to be issued as part of the consideration paid for the acquisition of EKF-diagnostic GmbH Germany. The value of the shares had been adjusted to its fair value. In December 2021 a settlement was reached with the previous owner of EKF-diagnostic which resulted in a cash payment to him of £179,000.

The additions consist of consideration payable or potentially payable to the former owners of ADL, and are made up of two elements. The first is a cash payment, the amount of which is based on a calculation of net working capital in ADL at completion. The second is deferred contingent consideration which is payable either in a mixture of ordinary shares and cash, or in just cash, based on the achievement of certain earnings target in each of the three years following completion. The fair value amount has been estimated using a balance of probabilities method based on current and expected trading, and then discounted to account for the time value of money. £465,000 of the balance is current and the remainder is non-current.

29. Deferred income tax

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

Group	**2021 £'000**	2020 £'000
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	(15)	(14)
Deferred tax asset to be recovered after more than 12 months	-	-
	(15)	(14)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	4,286	2,412
Deferred tax liability to be recovered within 12 months	745	224
	5,031	2,636
Deferred tax liabilities - net	**5,016**	**2,622**

Notes to the Financial Statements

for the year ended 31 December 2021

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

	2021 £'000	2020 £'000
At 1 January	2,622	2,585
Exchange differences	(96)	68
Rate change through income statement	679	277
Addition following acquisition (See note 20)	906	-
Movement through OCI	1,502	-
Income statement movement (note 13)	(597)	(308)
At 31 December	**5,016**	**2,622**

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

Deferred tax liabilities	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 January 2020	151	2,468	2,619
Charged to the income statement	63	(389)	(326)
Rate change	-	277	277
Exchange differences	11	55	66
At 31 December 2020	**225**	**2,411**	**2,636**
At 1 January 2021	225	2,411	2,636
Credited to the income statement	60	(656)	(596)
Rate change	-	679	679
Addition through subsidiary (Note 20)	-	906	906
Movement through OCI	-	1,502	1,502
Exchange differences	(14)	(82)	(96)
At 31 December 2021	**271**	**4,760**	**5,031**

Deferred tax assets	Tax losses £'000	Other £'000	Total £'000
At 1 January 2020	(15)	(19)	(34)
Charged to the income statement	1	17	18
Exchange differences		2	2
At 31 December 2020	**(14)**	**-**	**(14)**
At 1 January 2021	(14)	-	(14)
Charged to the income statement	(1)	-	(1)
At 31 December 2021	**(15)**	**-**	**(15)**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £1,190,000 (2020: £964,000) mainly in respect of tax losses amounting to £5,063,000 (2020: £4,880,000), primarily arising in the UK entities, that may be carried forward against future taxable income, as the likely timing of recovery is considered too remote; and of £70,000 (2020: £1,008,000) in respect of cash settled share based payment liabilities of £298,000 (2020: £6,458,000) for the same reason.

Company	2021 £'000	2020 £'000
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	1,502	-
Deferred tax	1,502	-

Notes to the Financial Statements

for the year ended 31 December 2021

30. Share capital

Group and Company	Number of Shares	Share capital £'000	Share premium £'000
At 1 January 2021	**454,993,227**	**4,550**	**200**
Acquisition of Advanced Diagnostics Laboratory	**8,937,337**	**89**	**7,175**
At 31 December 2021	**463,930,564**	**4,639**	**7,375**

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

On 11 October 2021, 8,937,337 Ordinary shares were issued as an element of the consideration for the acquisition of Advanced Diagnostic Laboratory LLC. at a price of 81.28 pence per share.

The Company has not acquired any ordinary shares during this year (2020: nil).

31. Share options and share-based payments

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

Unapproved share option scheme

	2021		2020	
	Av. Exercise price per share (£)	Options (Number)	Av. Exercise price per share (£)	Options (Number)
At 1 January	0.37625	25,000	0.240	950,000
Cancelled	-	-	0.273	(25,000)
Exercised	-	-	0.232	(900,000)
At 31 December	**0.37625**	**25,000**	**0.37625**	**25,000**

The remaining unapproved share options consist of the following:

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

All share option awards are equity settled. Out of the 25,000 (2020: 25,000) outstanding options 25,000 (2020: 25,000) were exercisable at 31 December 2021.

	2021		2020	
Expiry Date	Av. Exercise price per share (£)	Options (Number)	Av. Exercise price per share (£)	Options (Number)
21.01.2024	0.37625	25,000	0.37625	25,000
		25,000		**25,000**

On 2 June 2016 two Directors were granted a cash settled share-based incentive award. The terms of the award were varied on a number of occasions and various payments made in 2019, and again in 2020. Further payments were made against the scheme of £1,000,000, in January 2021.and of £5,003,000 in July 2021. In addition, on 9 October 2017, a senior employee was granted a cash settled share-based incentive award. No payments have been made against this scheme.

At 31 December 2020 £6,458,000 was shown as a liability in the balance sheet within trade and other payables in relation to these two schemes. In September 2021 both schemes were closed and the remaining liability extinguished. The remaining liability, totalling £1,903,000 (including National Insurance movements), was credited to administrative expenses during the year.

Notes to the Financial Statements

for the year ended 31 December 2021

In September 2021 a new cash settled share-based incentive award scheme was granted to a director.

The award vests if a controlling interest in the Company is acquired by a third party at any time while the holder remains an employee. There is a minimum price level below which no amount is payable, of per share with the amount payable being 2.5% of the excess sale price above 70p per share. The fair value of this award has been calculated at £3,296,000 (2020: £nil), using a modified form of a Black Scholes model. The key assumptions in the model include expected volatility of 45%, a risk free rate of 0.69%, and an expected dividend yield of 1.1p per share. There is an assumed acquisition premium and option life.

£298,000 has been recognised as an expense in administrative expenses in the current year, and the same amount is shown as a liability on the balance sheet at 31 December 2021 within trade and other payables. If the assumption on volatility had been 55%, then the liability would have increased by £50,000; if the exit date had been assumed to be 6 months earlier, then the liability would have increased by £35,000; and if the acquisition premium was reduced to 0% then the liability would have decreased by £55,000.

32. Other reserves

Group	Capital redemption reserve £'000	Other reserve £'000	Total £'000
At 1 January 2020	102	6,546	6,648
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income	-	4,348	4,348
Recycling of reserves in respect of disposal of equity instruments at fair value	-	(5,642)	(5,642)
At 31 December 2020	102	5,252	5,354
At 1 January 2021	102	5,252	5,354
Changes in the fair value of equity instruments at fair value through Other Comprehensive Income (net of tax)	-	(321)	(321)
At 31 December 2021	**102**	**4,931**	**5,033**

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

33. Retirement benefit obligations

Pension benefits

The Company operates defined contribution pension schemes the assets of which are held separately from those of the Company in independently administered funds. The pension cost for the year represents contributions made by the Company to the funds and amounted to £281,000 (2020: £262,000). The value of pension contributions owed to pension providers at 31 December 2021 was £nil (2020: £11,000).

34. Commitments

Capital commitments

The Group has contracted £1,736,000 (2020: £41,000) capital expenditure at the end of the reporting period that had not yet been incurred.

Notes to the Financial Statements

for the year ended 31 December 2021

35. Cash generated by/(used in) operations

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Profit/(loss) before tax	21,435	15,356	5,790	(4,693)
Adjustments for:				
- Depreciation	2,041	1,844	326	235
- Amortisation	3,844	2,767	51	-
- Warranty claim	(285)	(1,414)	-	
- (Profit)/loss on disposal of fixed assets	(13)	(22)	-	-
- Loss on disposal of intangible assets	-	8	-	-
- Share-based payments	(6,586)	4,775	(6,586)	4,775
- Dividend received		(31)	-	(31)
- Fair value adjustment	285	1,516	(2,722)	1,516
- Foreign exchange	61	26	75	(12)
- Bad debt written down	58	45	36	(106)
- Net finance cost/(income)	26	23	(23)	(815)
Changes in working capital				
- Inventories	(4,601)	(2,557)	156	(631)
- Trade and other receivables	(3,274)	(3,426)	4,914	8,080
- Trade and other payables	1,217	1,888	(969)	1,436
Net cash generated by operations	**14,208**	**20,798**	**1,048**	**9,754**

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

Group	**2021 £'000**	2020 £'000
Net book value	30	46
Profit on disposal of property, plant and equipment	13	22
Proceeds from disposal of property, plant and equipment	**43**	**68**

Non-cash transactions

The principal non-cash transactions are: the revaluation of shares held in Renalytix AI plc and Verici Dx plc; movements on deferred consideration provisions; the fair value adjustment relating to the deferred equity consideration in respect of EKF Germany, the warranty claim, and release of accruals no longer required.

36. Related Party Disclosures

Directors

Christopher Mills is interested in 28.21 per cent. of the Company's issued share capital which is held through North Atlantic Smaller Companies Investment Trust PLC, Oryx International Growth Fund Limited, and in his own name. Harwood Capital LLP is investment manager to North Atlantic Smaller Companies Investment Trust plc and investment adviser to Oryx International Growth Fund Limited. Harwood Capital LLP, which is part of the Harwood Capital Management Group (of which Christopher is sole shareholder) is a limited liability partnership of which Christopher Mills is Chief Investment Officer. He is non-executive chair of Renalytix plc ("Renalytix") and a non-executive director of Trellus Health plc ("Trellus"). The Group owns 1.39% of Renalytix. The Group invested $5m in Trellus in August 2020, and in December 2020 transferred that investment to relevant EKF shareholders through a dividend in specie. In May 2021 the Company disposed of one golden share which held the voting rights in the transferred shares. for nil value There were no other transactions with Trellus. Christopher Mills is interested in 26.3% of the share capital in, and is a director of Sourcebio International plc ("Source"). The Group did not trade with Source during the year.

The Group was invoiced £15,000 (2020: £18,000) by J & K (Cardiff) Limited for property rent. Julian Baines is a Director of J & K (Cardiff) Limited. Julian is also non-executive chair of Trellus and of Verici Dx plc. The Company owns 1.89% of Verici Dx plc.

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

Notes to the Financial Statements

for the year ended 31 December 2021

Michael Salter is a director of Trellus Health plc

Adam Reynolds is a non-executive director of Yourgene Health plc ("Yourgene") and of Myhealthchecked plc ("Concepta"). During the period the Group invoiced £785,219 to Yourgene for goods, and purchased goods and services from them of £10,485 none of which was outstanding from or to Yourgene at year end. During the year the Group invoiced £2,125,092 for goods to a subsidiary of Concepta, of which £209,455 was outstanding at year end.

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

The performance related payment made to the Executive directors under the cash settled share based payment scheme is set out in note 31.

Other related party transactions

Sergey Kots who is Chief Executive of OOO EKF Diagnostika ("EKF Russia"), owns 20% of the subsidiary's share capital. During the year EKF Russia invoiced £589000 (2020: £538,000) to OOO Laboratory Diagnostic Systems, a company of which Mr Kots' brother is a director.

Key management compensation

Key management compensation for the year was as follows:

	2021 £'000	2020 £'000
Salaries and other short-term employee benefits	5,869	1,193
Share-based payments	(1,022)	4,998
Employer contribution to pension scheme	19	21
	4,866	**6,212**

Key management includes the Directors of the Company only.

The Company

The transactions outlined above with Renalytix, Trellus, Yourgene and Concepta were all undertaken by the Company. During the year the Company invoiced management charges of £3,279,000 (2020: £3,773,000) and interest of £312,000 (2020: £836,000) to its subsidiary companies, it also invoiced rental costs to EKF Germany of €167,000 (£143,700) (2020: €167,000 (£149,330)). It purchased goods and services from subsidiaries totalling £1,272,000 (2020: £2,644,000). At 31 December 2021 the Company was owed £1,860,000 (2020: £6,670,000) by its subsidiaries and owed £3,532,000 (2020:£3,766,000) to other subsidiaries.

37. Investment in Associate

In August 2020 the Company invested $5,000,000 (£3,810,000) for a 31.1% shareholding in Trellus Health plc, a pioneer in resilience-driven care for people with complex chronic conditions. In December 2020 the Company made a distribution in specie whereby, with the exception of a single "golden" share, the Company's shareholding in Trellus Health plc was distributed to ordinary shareholders of the Company.

At 31 December 2020 the "golden" share retained all of the voting rights of the shares in Trellus previously held by the Group. On the admission to AIM of Trellus in May 2021 the Golden Share the value of which at 31 December 2020 was negligible, converted to an ordinary share, and the voting rights transferred to the distributed shares.

38. Post Balance Sheet Events

In February 2022 Russia invaded the neighbouring state of Ukraine. As a response to this, the UK, EU and the USA, amongst other countries and organisations, imposed sanctions including financial sanctions, on Russia and Belarus.

The Group has a 60% owned subsidiary company in Russia, which sells the Group's products in Russia itself as well as a number of former CIS states, and in addition has distributors in Ukraine and Belarus. Our Russian subsidiary contributed £3.3m of revenue and adjusted EBITDA of £1.0m in 2021, and had net assets of £1.5m.

It is too early to estimate the effect if any that this conflict will have on our business in Russia,

This is a non-adjusting event. No adjustments have been made to the 2021 financial statements.

On 7 March the Company invested £2.5m in Verici Dx plc, with the intention of transferring our holding to shareholders by way of a distribution in specie in due course.

NOTICE OF ANNUAL GENERAL MEETING

EKF Diagnostics Holdings PLC (Company)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (Meeting) of EKF Diagnostics Holdings plc (Company) will be held at Harwood Capital LLP, 6 Stratton Street Mayfair, London W1J 8LD on 18 May 2022 at 11 a.m. for the following purposes:

Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 31 December 2021 together with the reports of the Directors and the auditors thereon.
2. To re-elect Marc Peter Davies, who retires by rotation having been appointed since the last annual general meeting, as a Director.
3. To re-elect Jennifer Ann Julia Winter, who retires by rotation having been appointed since the last annual general meeting, as a Director.
4. To re-elect Christian Alexander Rigg, who retires by rotation having been appointed since the last annual general meeting, as a Director.
5. To re-elect David Michael Salter, who retires by rotation having been appointed since the last annual general meeting, as a Director.
6. To re-elect Christopher Harwood Bernard Mills, who retires by rotation, as a Director.
7. To re-appoint Messrs PricewaterhouseCoopers LLP as auditors to act as such until the conclusion of the next General Meeting of the Company at which the requirements of section 437 of the Companies Act 2006 are complied with and to authorise the Directors of the Company to fix their remuneration.
8. That in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to allot Relevant Securities of the Company:
   i. up to a maximum nominal amount of £920,000* (in pursuance of the exercise of outstanding share options and other potential shares granted by the Company but for no other purpose);
   ii. up to an aggregate nominal amount of £454,930.56 (in addition to the authorities conferred in sub-paragraphs (i) above) representing approximately 10% of the Company's Issued Share Capital, such authorities (unless previously renewed, revoked or varied) to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2023, save that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. *this figure includes the potential earn out payment which may be made by way of consideration shares in accordance with the SPA of the Advanced Diagnostic Laboratory LLC acquisition completed on 21 September 2021. See investor announcements for further information.
9. To declare a final dividend of 1.2 pence per ordinary share to be paid on 1 December 2022 to the holders of ordinary shares on the register of members at the close of business on 3 November 2022.
10. That, upon the recommendation and conditional on the approval of the directors of the Company, a dividend in specie be approved, being the transfer by the Company of 9,098,611 ordinary shares of $0.0001 each in VericiDx plc to the holders of the ordinary shares of nominal value of £0.01 each on the register of members of the Company at the close of business on a date to be determined by the directors of the Company.

Special Resolutions

11. That, subject to the passing of the above Resolution the Directors be given the general power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by the Resolution above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
    i. the allotment of equity securities on the exercise of the share options granted by the Company;
    ii. the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) above) for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and
    iii. the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of £454,930.56 representing approximately 10% of the Company's Issued Share Capital; provided that such power (unless previously renewed, revoked or varied) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023, save that the Company may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

NOTICE OF ANNUAL GENERAL MEETING

EKF Diagnostics Holdings PLC (Company)

12. That the Company be and is generally and unconditionally authorised for the purposes of section 701(1) of the 2006 Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange of ordinary shares of £0.01 each in the capital of the Company ("Ordinary Shares") provided that:

    i. the maximum aggregate number of Ordinary Shares authorised to be purchased is 68,239,584 (representing 15 per cent. of the Company's issued ordinary share capital);

    ii. the minimum price (excluding expenses) which may be paid for such Ordinary Shares is £0.01 per share;

    iii. the maximum price (excluding expenses) which may be paid for an Ordinary Share shall not be more than 5 per cent. above the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

    iv. unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the Company's next annual general meeting or 30 June 2023, if earlier; and

    v. the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered Office
Avon House
19 Stanwell Road
Penarth
CF64 2EZ

25 April 2022

By Order of the Board

Salim Hamir
Company Secretary

Notes

1. The Company specifies that only those members registered on the Company's register of members at close of business on 16 May 2022 or if this general meeting is adjourned, at close of business on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the General Meeting.
2. If you are a Shareholder of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. You will not receive a hard copy form of proxy with this document. Instead, you will be able to vote electronically using the link www.signalshares.com. You will need to log into your Signal Shares account, or register if you have not previously done so. To register you will need your Investor Code, this is detailed on your share certificate or available from our Registrar, Link Group. Alternatively you can vote by downloading the new shareholder app, LinkVote+, on Apple App Store or Google Play and following the instructions. Votes submitted electronically must be submitted by no later than 11 a.m. on 16 May 2022.
4. You may request a hard copy form of proxy directly from the Registrars, Link Group at shareholderenquiries@linkgroup.co.uk or on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Line are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.
5. In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11 a.m. on 16 May 2022. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group at the address noted in note 5 above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. In order to revoke a proxy instruction you will need to inform the Company by contacting Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Line are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Group no later than 11 a.m. on 16 May 2022. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
12. Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.
13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.
14. Voting on the resolution will be conducted by way of a poll vote.
15. As at the close of business on the day immediately before the date of this notice of general meeting, the Company's issued share capital comprised 463,930,564 ordinary shares of nominal value 1 pence each of which 9,000,000 ordinary shares are held in the Treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business, on the day immediately before the date of this notice of general meeting excluding the Treasury shares are 454,930,564.

Company information

Directors:

Christopher Mills
(Non-Executive Chairman)

Julian Baines MBE
(To 30 September 2021 Chief Executive Officer,
From 1 October 2021 Non-executive Deputy Chairman)

Michael Salter
(Appointed 1 July 2021)
(Chief Executive Officer from 1 October 2021)

Richard Evans
(resigned 1 January 2022)
(Chief Operating Officer and Finance Director)

Marc Davies
(Appointed 1 January 2022)
(Chief Financial Officer from 1 January 2022)

Carl Contadini
(resigned 1 February 2022)
(Non-Executive Director)

Adam Reynolds
(resigned 19 May 2021)
(Non-Executive Director)

Christian Rigg
(Appointed 1 July 2021)
(Non-Executive Director)

Jennifer Winter
(appointed 1 February 2022)
(Non-Executive Director)

Company Secretary:

Salim Hamir
Registered office and Head office:
Avon House
19 Stanwell Road, Penarth
Cardiff CF64 2EZ

Place of incorporation:

England and Wales (Company number - 4347937)

Independent Auditors:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff CF10 3PW

Nominated Advisor and Broker:

Singer Capital Markets
1 Bartholomew Lane London EC2N 2AX

Joint Broker:

Investec Bank plc
30 Gresham Street London EC2V 7QN

Solicitors to the Company:

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Haywood House Dumfries Place Cardiff
CF10 3GA

BDB Pitmans LLP
One Bartholemew Close
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EC1A 7BL

Registrars:

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

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

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