Omega Diagnostics Group PLC
Annual Report and Group Financial Statements 2016

Accelerating growth

Omega DIAGNOSTICS GROUP PLC

We have developed a strategy for accelerated growth

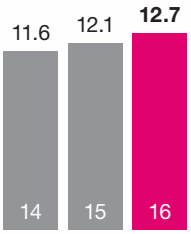
Operational highlights

- Appointment of Colin King as Chief Operating Officer on 3 August 2015
- Completion of the fit-out of the laboratory and manufacturing facility in Pune, India, with prototype devices made for a range of malaria rapid tests
- Automated Allergy programme ready for commercial launch, with 41 allergens optimised and successfully evaluated at sites across Europe
- Food intolerance segment delivering the fastest growth in revenue at the highest gross margin
- We have a method of running Visitect® CD4 test devices which indicates functionality up to 35°C

Financial highlights

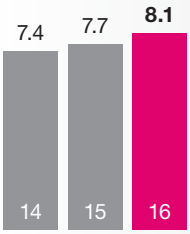
Sales (£m)

£12.7m ↑ 5%



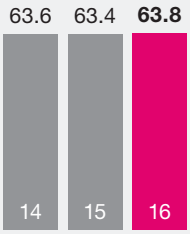
Gross profit (£m)

£8.1m ↑ 6%



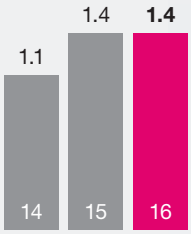
Gross profit (%)

63.8% ↑ 0.4%



Adjusted profit before tax (£m)

£1.4m –



Find up-to-date information at www.omegadiagnostics.com

Omega Diagnostics Group PLC

Omega Diagnostics Group PLC

@OmegaDiagnostic

Contents

A leading company in the fast growing area of immunoassay, with a global presence in over 100 countries

Our range of products

Omega Diagnostics Group PLC's subsidiaries provide high quality in-vitro diagnostics (IVD) products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and specialise in the areas of allergy and autoimmune, food intolerance and infectious diseases.

Allergy and autoimmune

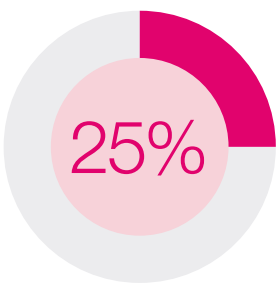
Main products:

- Allergozyme®
- Allergodip®
- Genesis ELISA
- Allersys®

The Group develops, manufactures and sells allergy tests for over 600 allergens. It has more than 20 years' experience in the development of products for the diagnosis of allergies and a substantial understanding and knowledge in the production and standardisation of allergen extracts. The autoimmune panel is a range of enzyme immunoassay (EIA) tests for the detection and quantification of multiple autoimmune diseases.

Revenue share

£3.2m



Food intolerance

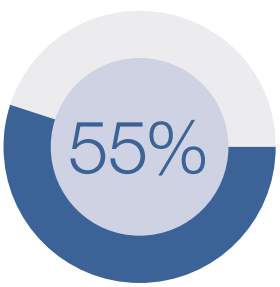
Main products:

- Genarrayt®/Foodprint®
- Food Detective®
- CNS laboratory service

The Group provides a range of tests and instrumentation associated with food intolerance and gut health. Based on quantifying total immunoglobulin G (IgG) reactions to over 220 different foods, these tests are designed to support both health practitioners and individuals who wish to make informed decisions when managing their health.

Revenue share

£7m



Infectious disease

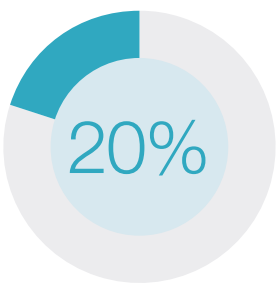
Main products:

- Immutrep® Syphilis
- Micropath® bacterial tests
- Avitex® latex serology tests

The Group specialises in a range of diagnostic kits for infectious diseases, in particular for syphilis, febrile antigens and latex serology tests. Enzyme immunoassays are available for a variety of viral, bacterial and fungal infections, complemented by a diverse selection of agglutination, fluorescence and rapid tests.

Revenue share

£2.5m



Our global presence

A global reach allows the Group to benefit from fast growing economies in emerging markets while simultaneously mitigating challenging economic and political instability in certain regions of the world.

- Countries where our products are distributed
- Countries where we have a direct presence

Devon

Located in Devon, England, Co-Tek (South West) Limited manufactures and sells a range of tests for diagnosing bacterial infections.

Employees 2

Square footage 1,212

Alva

Located in Alva, Clackmannanshire, Scotland, Omega Diagnostics Limited manufactures and sells a range of immunoassay tests, predominantly for infectious diseases. Its main product line includes a range of screening and confirmatory tests for syphilis. Many products are capable of being used in resource-limited settings and, when used, do not require instrumentation or laboratory facilities to obtain a result.

Employees 51

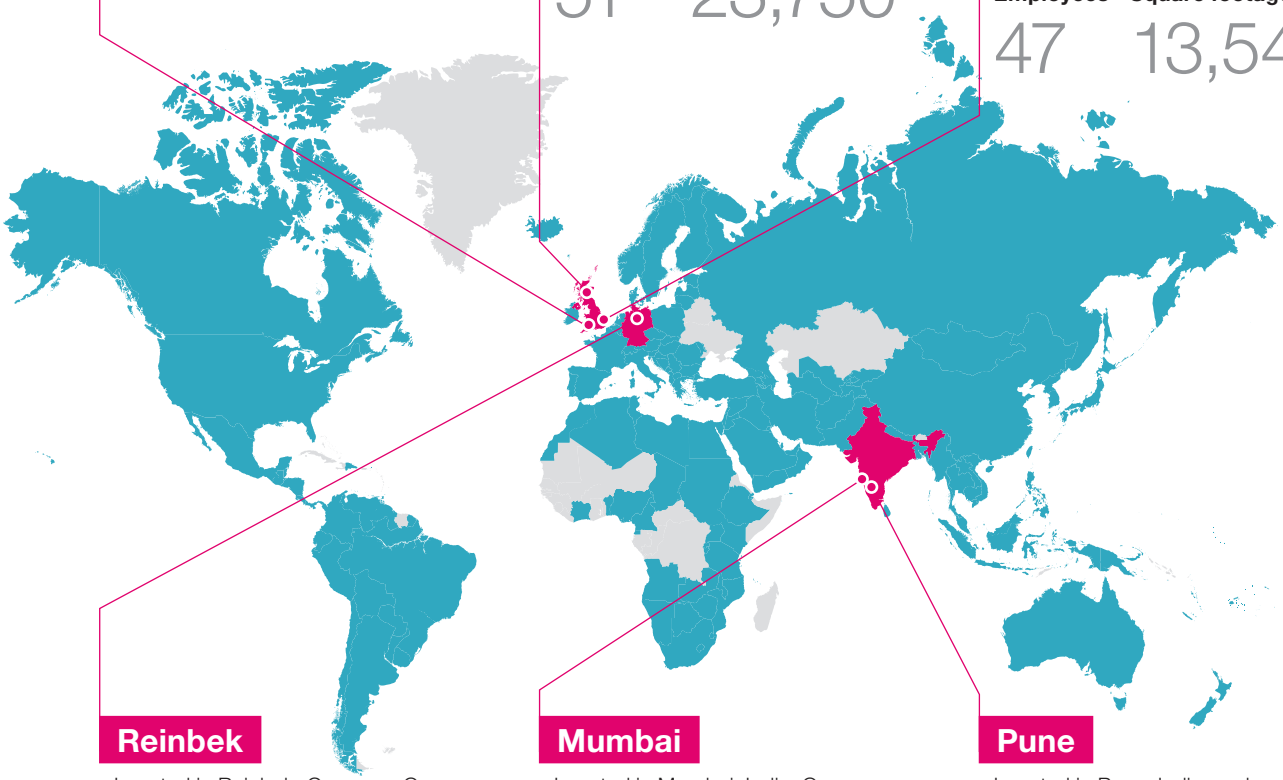
Square footage 23,750

Cambridge

Located in Cambridgeshire, England, Genesis Diagnostics Limited and its sister company Cambridge Nutritional Sciences Limited are amongst the UK's leading manufacturers of high quality enzyme-linked immunosorbent assay (ELISA) based diagnostic kits to aid the diagnosis of autoimmune and infectious diseases. However, the main focus for the site is for the detection of immune reactions to food often described as food intolerance or food sensitivity using array-based technologies for laboratory and point-of-care markets.

Employees 47

Square footage 13,540



Reinbek

Located in Reinbek, Germany, Omega Diagnostics GmbH manufactures and sells a range of allergen tests. Allergozyme® is a paper disc-based ELISA that quantifies the amount of circulating Specific IgE in a patient sample for over 600 different allergens. Allergodip® is an enzyme immunoassay (EIA) for the semi-quantitative determination of Specific IgE in serum/plasma.

Employees 35

Square footage 15,220

→ 8 For more information see our Products and Markets Overview

Mumbai

Located in Mumbai, India, Omega Dx (Asia) Pvt Limited sells completed products manufactured at the other Omega sites in order to gain direct access to the Indian market.

Employees 18

Square footage 1,047

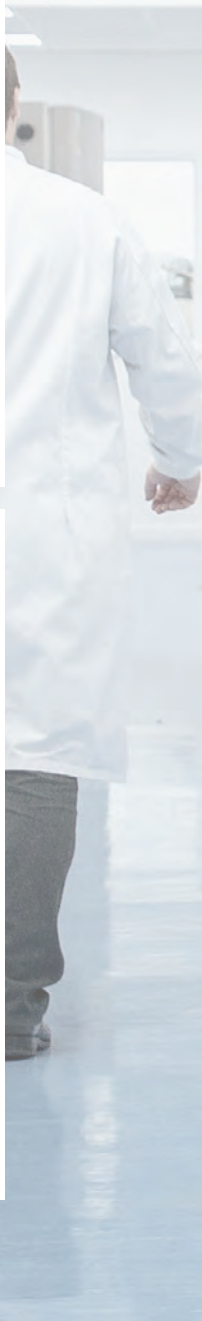
Pune

Located in Pune, India, and part of Omega Dx (Asia) Pvt Limited, the fit-out of the manufacturing facility was completed during the year and the first products made will be a range of malaria rapid tests. Equipment has been installed and has undergone installation and operational qualification. Prototype devices have been manufactured on a small scale and, when tested on samples, indicate a level of performance equivalent to a market-leading product.

Employees 4

Square footage 20,913

A clear strategy to further the Group's progress



Increased confidence for food intolerance testing in a growing health and wellbeing market.

Achievements
- 19% growth in the year
- Excellent brand reputation
- Strong market position

Targets
- Continue to grow individual markets
- Focus on unaddressed markets, particularly in North America and China
- Add complementary testing products
- Product extension and regional panel development

To become a leader in allergy IVD testing through automation and mid-tier market targeting.

Achievements
- 41 allergens optimised on the automated allergy platform and ready for commercial launch
- Successful external evaluations demonstrating a technology which is easy to use, has a quick time to first result and is efficient and flexible for laboratory use
- Significant knowledge built up during the development programme and a skilled team in place

Targets
- Execute on the plan to increase the number of allergens to 120 over the next three years
- Further penetrate the strip/panel test segment by optimising the performance of Allergodip® and allow quantification via a mobile phone app as well as adding regional panels

Identifying global health opportunities and commercialising novel POC diagnostic tests for significant unmet clinical needs in resource-limited settings.

Achievements
- Completion of fit-out of manufacturing facility in Pune, India and production of Malaria test pilot batches
- We have a method of running Visitect® CD4 test devices which function up to 35°C
- Skilled scientific team in place with capability and capacity for development of rapid diagnostic tests

Targets
- Continue to expand rapid test manufacturing capabilities
- Diversify routes to market via the non-governmental organisation (NGO) arena, business to business and private sector
- Deliver "diagnostic solutions" that empower digital connectivity and data gathering as the key component of Omega's global health strategy
- Use strong alliances with leading research institutions and commercial partnerships to access future technologies that will drive decentralisation of diagnostics

Collaborating with NGO networks to gain mass distribution of products.

Achievements
- Global health team continues to form key relationships with both global and national NGOs that are pivotal to delivering the sales strategy
- Participation and consultation in key global health stakeholder groups

Targets
- Develop new rapid diagnostic tests at the Pune facility which meet the requirements of WHO ASSURED criteria and stakeholder target product profiles
- Work towards peer-reviewed publication of successful third-party evaluations and in-country implementations by key opinion leaders and institutions
- Aligned with UN Sustainable Development Goals, to instigate collaborative approaches across NGOs, academia/research and funders that deliver innovative solutions and improve linkage to care (access to POC diagnostics)

Leveraging our strengths for accelerated growth

1
Build on core competencies

Our focus encompasses:

- The manufacture of quality IVD products
- Generating cash from our core business
- Investing in our R&D programme
- People and knowledge

2
Accessing strategic opportunities

We achieve this through:

- Innovation
- Licensing
- Partnerships

3
Commercialisation

This is accomplished via:

- Global network and distribution capability
- Direct market presence
- NGO/aid agencies

We have identified a number of organic growth opportunities for all our business segments which we believe could significantly enhance shareholder value

David Evans
Non-executive Chairman

In summary

- Good progress in overcoming technical challenges with Visitect® CD4.
- Completion of fit-out and inauguration of our manufacturing facility in Pune, India.
- Successful optimisation of 41 allergens for use on the IDS/Allersys® system.
- Colin King joined us in the year as Chief Operating Officer.
- Three-year plan developed to accelerate growth.

Strategy

Point-of-care (POC) testing

Visitect® CD4

In terms of our strategic priority with Visitect® CD4, at times, I accept that it probably feels like the development process has taken two steps forward, followed by one step back, but we have persevered in working through the complex technical challenges of optimising the test to function up to 35°C. We now have a method of running test devices which indicates performance in line with our design goals. Our aim is to ensure that we can retain this performance so that the test can be run in the field by community healthcare workers without access to lab facilities.

In our trading update of 21 April 2016 we mentioned a shifting of the needle away from being a biological challenge to an engineering challenge. Subsequently, we have further improved our chances of success by demonstrating elimination of the ambient temperature effect with a test design that requires no engineering modification for field use because it does not require off-line sample treatment. This new design has been tested internally and shows no temperature effect over the range 20-35°C. We are currently now undertaking testing at a local hospital site with patient samples. We have also been able to undertake certain pre-verification studies in order to reduce risks beyond a successful optimisation outcome. Field trials will follow completion of the verification and validation phase, which would then lead to a market launch.

We have also continued to assess the potential market for this product and we have concluded that:

– a large unmet market need still exists for this test; and

– we now represent the only current active development prospect for an instrument-free POC CD4 test.

We have manufacturing capacity for Visitect® CD4 tests, both in Alva, Scotland, and in our new facility in Pune, India.

Pune manufacturing facility

During the year, we completed the fit-out of our 20,000 sq. ft. manufacturing facility in Pune, funded in part with a grant contribution of US$0.54 million from UNITAID. In addition to providing capacity for Visitect® CD4, our first products to be made there will be a range of malaria rapid tests. The equipment needed to manufacture rapid tests has now been installed and has undergone installation and operational qualification. Prototype devices have been manufactured on a small scale and, when tested on samples, indicate a level of performance equivalent to a market-leading product, which is very encouraging. When the manufacturing procedures have been finalised, the equipment will complete its production qualification and will enable larger batches of tests to be manufactured for verification and validation, and we have been able to source a number of malaria-positive and negative samples on a commercial scale which can be stored and then used for this purpose when needed.

The Group's strategy is unwavering in terms of providing POC testing for infectious diseases in parts of the world where there remain substantial unmet needs.

Allergy automation

As reported on 21 April 2016, we have successfully optimised 41 allergens for use on the automated IDS/Allersys® system which perform and concord with tests

on the predicate device, ThermoFisher's ImmunoCAP® system. We have now tested over 1,000 patient samples in beta evaluations in Spain, Italy and France, with an ongoing evaluation in Germany, and the results will be included in the technical file to support CE marking the products. It has been shown that the combination of our Allersys® reagents on the IDS iSYS instrument provides a technology which is easy to use, has a quick time to first result and is efficient and flexible for laboratory use.

It is worth noting that successfully developing over 40 immunoassays for a development spend of £5.5 million is a highly credible achievement by global IVD industry standards of development expenditure. We have identified a clear plan to increase the number of allergens, from 41 to 120, over the next three years to ensure we continue to leverage the significant knowledge built up over the last four years.

We also have a fully validated in-house manufacturing system with finished products available on the shelf. Commercialisation discussions are at a detailed and advanced stage with IDS and other partners about how best to launch into the market and we will keep shareholders fully informed on progress.

Food intolerance

Our flagship products of Genarrayt®/Foodprint® for laboratory use and our Food Detective® for use by Nutritionists have continued to grow from our strategic success in continuing to grow our export markets. Since the acquisition of Genesis/CNS in 2007, Food Detective® has been sold in over 75 countries and Genarrayt®/Foodprint® has been sold into over 40 countries.

We believe there are further significant opportunities for growth in this sector, with increasing numbers of consumers around the world taking more of an active interest in their health and wellbeing. In particular, we believe that China and North America are markets which are largely unaddressed but increasingly suitable for food intolerance testing products and services.

Financial performance

Group revenue grew by 5% to £12.7 million (2015: £12.1 million) with another strong performance from our Food intolerance division. On average, there was a weaker euro but stronger US dollar rate against sterling throughout the year, so the net currency effect was smaller this year where revenue would have been £0.2 million higher (2015: £0.4 million) on a constant currency basis. Gross profit increased to £8.1 million (2015: £7.7 million), representing a similar level of gross profit margin at 63.8% (2015: 63.4%) and adjusted profit before tax (statutory profit before tax with add backs for amortisation of intangible assets, share-based payment charges and IFRS-related discount charges) was 98.4% of last year's figure at £1.4 million. Adjusted earnings per share were 1.2 pence (2015: 1.3 pence), the small reduction reflecting a tax charge of £90k in the year versus a tax credit of £55k in the previous year. Statutory earnings per share were 0.5p (2015: 0.7p).

The Group's cash position at the year end was as expected, with cash reserves of £1.3 million (2015: £2.0 million). We continue to monitor our working capital management in the conversion of adjusted operating profit (operating profit excluding share-based payments and amortisation of intangible assets) into operating cash and the conversion factor for the year was 108% (2015: 93%).

"The Group remains in a strong cash position with cash reserves of £1.3 million and a £1.7 million bank overdraft facility."

David Evans
Non-executive Chairman

Gross margin

63.8%

▲ 0.4%

Adjusted profit before tax

£1.4m

⊖

→ 24

For more information see our Corporate Governance Report

Corporate governance

The size and structure of the Board and its committees are kept under review to ensure an appropriate level of governance operates throughout the year. The Board is comprised of two Non-executive Directors and four Executive Directors who meet frequently during the year to discuss strategy and to review progress and outcomes against objectives. Board reports containing KPIs, which report on business issues by exception, are circulated in advance of each Board meeting which contribute to a more efficient Board process allowing sufficient time to consider business-critical issues. The Group is not required to comply with the full requirements of the UK Corporate Governance Code (as an AIM-quoted company) but we believe the Board has the skills and the necessary experience to deliver on its plans and objectives in a way that enables Non-executive members of the Board to challenge and advise the Executive team as appropriate.

The Audit Committee and the Remuneration Committee are comprised of the two Non-executive Directors and the Board believes the current make-up and the number of committees remain appropriate for a group of our size.

Board and employees

Colin King joined the Board as Chief Operating Officer on 3 August 2015 and has introduced a number of initiatives to improve processes, communication and plan execution, which has laid the foundations on which we will deliver increased growth with improved management of expectations in the years ahead. We have also increased our scientific teams to overcome the challenges of CD4 and to increase the run rate of the new allergen optimisation alluded to above.

The Group now has over 160 employees around the world and, again, I thank them for all their hard work throughout the year, which has delivered growth in revenues every year for at least the last ten years.

Outlook

We have a robust order book going forward which provides a solid foundation for achieving our first half sales targets.

We have demonstrated that our Allersys® reagent range has the potential to create a significant market presence, offering a choice for the first time to laboratory purchasing managers, who have been without a choice for a long time in a segment of the market. We have also demonstrated that Visitect® CD4 now functions up to 35°C, meeting a key design goal parameter. We are now undertaking testing with patient samples to be confident that we have a robust design and we remain positive on bringing a revolutionary product to the market that will have a major impact on improving healthcare outcomes for millions of people.

We have a solid and profitable core business. We have also identified a number of organic growth opportunities for all our business segments which we believe could significantly enhance shareholder value. We are evaluating all these opportunities, including those which could be delivered from existing resources, to ensure we are on the right side of under-promising and over-delivering.

David Evans
Non-executive Chairman
24 June 2016

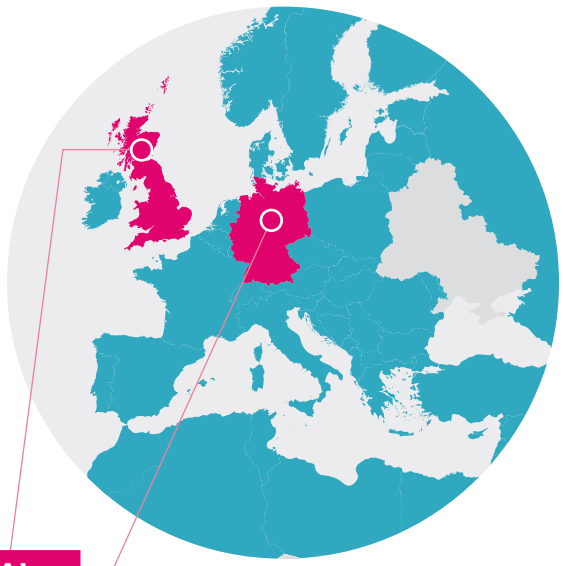
Providing a range of tests for allergy diagnostics

We have successfully optimised 41 allergens for use on the IDS/Allersys® system that are ready for commercial launch

Our foundations

In 2010, Omega Diagnostics Group PLC acquired the IVD division of allergy and specific immunotherapy specialist Allergopharma Joachim Ganzer KG, giving access to a range of allergy tests for over 600 allergens.

This gave the Group a position in allergy testing that could be exploited in two ways. First, by driving international sales of current products through its existing global distribution network; and second, by delivering a panel of automated allergy tests in conjunction with Immunodiagnostics Systems' IDS/Allersys® system.



Our markets

Allergy is defined as a hypersensitivity response by the immune system. In the majority of cases, allergic reactions are caused by IgE antibodies. IgE mediated allergies are defined by their rapid onset and can cause a variety of symptoms ranging from mild (rhinitis) to severe (anaphylaxis). The World Allergy Organisation (WAO) estimates that between 30% and 40% of the global population is affected by one or more allergic diseases (e.g. asthma, eczema, rhinitis, urticaria, food allergy or drug allergy). The severity and complexity of these diseases is on the increase due to increased ambient temperatures, air pollution, changing socio-economic factors and migration.[1]

The allergy diagnostic market is forecast to grow steadily at a compound annual growth rate (CAGR) of 12.67% for the period 2015–2019.[2] The market can be broadly divided into two segments: (1) in vivo and (2) in vitro. The in vivo diagnostics market is dominated by skin prick testing (SPT). SPT involves passing a fine needle through a drop of allergen on the skin and assessing the reaction. The in-vitro market is diverse and includes: (1) automated systems, (2) ELISAs, (3) strip/panel tests and (4) lateral flow tests.

Allergy and autoimmune revenues

2014	2015	2016
£4.0m	£3.6m	£3.2m

→ 2–3 For more information on Allergy and autoimmune

Our products

The current product range is well established and addresses the enzyme-linked immunoassay (ELISA) and strip/panel test segments of the markets.

Allergozyme® is a paper disc-based ELISA that quantifies the amount of circulating Specific IgE in a patient sample for over 600 different allergens. There are a number of automation options available depending on the throughput and work flow of the doctor's office practice. This product is largely sold into the German domestic market.

Allergodip® is an enzyme immunoassay (EIA) for the semi-quantitative determination of Specific IgE in serum/plasma. Eight panels are available that address regional allergen sensitisation patterns.

Allersys® is a chemiluminescent immunoassay (CLIA) for the quantitative determination of Total IgE and Specific IgE in serum. These reagent kits will operate on the Immunodiagnostics Systems' (IDS) iSYS automated instrument in the laboratory segment of the market.

1 – World Allergy Organisation (WAO), White Book on Allergy, 2011
2 – MarketsandMarkets, Allergy Diagnostics Market, 2014

Our strategy

The goal is to build a portfolio of products that enables Omega to compete across the automated, strip testing and POC segments of the allergy market.

To address the automated segment, Allersys® will launch in 2016. To date, 41 of the most commonly tested allergens have been optimised with a plan to increase this to 120 allergens over the next three years.

To further penetrate the strip/panel test segment, the Group has been optimising the performance of Allergodip® in order to further shorten assay time, increase the number of allergens and allow quantification via a mobile phone app. The Group has built up experience in mobile technology quantification in the allergy and global health products that will allow Omega to differentiate its products from other offerings in the market.

Providing a range of tests for food intolerance

Another year of significant growth, with future focus on unaddressed markets and adding complementary testing products

Our foundations

Located in Cambridgeshire, England, Genesis Diagnostics Limited and its sister company Cambridge Nutritional Sciences Limited are subsidiaries of Omega Diagnostics Group PLC. They are amongst the UK's leading manufacturers of high quality enzyme-linked immunosorbent assay (ELISA) based diagnostic kits.

The company specialises in the development and manufacture of kits to aid the diagnosis of autoimmune and infectious diseases. However, the main focus is for the detection of immune reactions to food, often described as food intolerance or food sensitivity. With a core competency in array-based technologies for laboratory and POC markets, Genesis/CNS has built a reputation for quality, innovation and delivery in its 20+ years of experience in the in-vitro diagnostics (IVD) industry.

Cambridge

Our markets

Food intolerance/sensitivity testing is a growing market, with the public being much more aware of their food, what is in it and how it affects their body. The global health and well-being market is expected to grow steadily at a CAGR of 6% for the period 2015–2019 and the primary driver for this is the growing health awareness among consumers.[1]

From a medical perspective, the role of gut health and its impact on general health and well-being is increasingly understood. In addition, it is recognised that individual patients respond quite differently to standard treatments, giving rise to more personalised analysis and management of their health and well-being. Gut health is a complex area and a multitude of factors, including gut permeability (giving rise to immune reactions to food), microbiome and oxidative stress, often give rise to health conditions that need to be treated through diet and supplementation.

The global market for food allergy and sensitivity products is projected to surpass $26.5 billion by the year 2017, driven by the increasing number of food allergies and sensitivities across the world.[2] Food allergies affect 220–250 million people worldwide according to the WAO[3], with many more suffering from food intolerance and sensitivities. Manufacturers of "free from" food have been reporting double-digit growth in this specific sector.[4] In the UK 15% of people gave their reason for eating free-from foods as being because they suspect they have an allergy or intolerance, and 35% stated that it was due to them feeling better or healthier when they did.[5]

Food intolerance revenues

2014	2015	2016
£5.2m	£6.0m	£7.0m

→ 2–3 For more information on Food intolerance

Our products

Food allergy is defined as a rapid and potentially serious response by the body to food. Classic symptoms include rashes, itching and wheezing. Common foods include fish, shellfish and nuts. Allergic reactions are caused by the antibody IgE.

Food intolerance/sensitivity can be an immune or non-immune response and usually means that individual elements of certain foods cannot be properly processed and absorbed by our digestive system. Examples include individuals who are unable to digest lactose due to an enzyme deficiency or gluten due to the autoimmune condition coeliac disease.

Food intolerance/sensitivity is defined as a slow or gradual response to a food with milder symptoms than an allergy, including bloating, stomach and digestive issues, skin reactions, etc. It is believed that food sensitivity reactions are related to the antibody IgG.

It is common for the terminology food intolerance and food sensitivity to be used interchangeably for food IgG reactions. The Company tests for IgG antibodies to detect food sensitivities. It has been shown by various studies that if foods producing high IgG levels are eliminated from the diet, certain symptoms can be reduced.

The Food Detective® product is a POC test that allows users to test for food IgG antibodies in the privacy of their own home or practitioners/physicians to run the test in a clinic. This convenient test is simple to use and requires no formal training or specialised equipment. Users can obtain and interpret their own results within 40 minutes. It is the only test of its kind available in the market.

The Genarrayt®/FoodPrint® product is a high throughput laboratory test that accurately detects the presence of IgG food-specific antibodies to a wide range of foods. It is an effective diagnostic aid to the treatment of immune response-related food sensitivity. Based on microarray technology, FoodPrint® is a unique product in the marketplace, offering significant benefits over traditional plate-based ELISA tests. The reduced size of the platform means that requirements for sample volume and bench space are minimised, two significant concerns for laboratories preparing to offer these services.

1 – Just Food, Global Health and Wellness Food Market 2015–2019

2 – Food Allergy and Intolerance Product: A Global Strategic Business Report (1st April 2012)

3 – SGS, Hot Source, Issues 2 June 2013

4 – CNBC

5 – Mintel, Chris Brockman, The evolution of the global free-from market, Oct 2015

Our strategy

The Company is in a unique position in the market, offering a distinctive range of food intolerance/sensitivity tests that cover a selection of applications. On the back of these products the brand has developed an excellent reputation with patients and laboratories around the world. Utilising the positioning of the brand and the product range provides a strong foundation, market position and a number of key growth opportunities.

Over the years, the Company have steadily built an impressive and stable network of distribution partners with extensive global coverage, serving over 75 countries with a specific skill set within the health and well-being market. These skills include competencies to create and educate markets, use of web and social media platforms as well as employing dedicated nutritional resources within their organisations.

The strategy is to continue to grow individual markets through greater product awareness and the extension/regionalisation of panels for unaddressed markets, particularly in North America and China. We will also look to add complementary testing products through partnerships to add to the current basket of goods that also meet the customer's need for greater information around the health of the gut.

Providing a range of tests for infectious diseases/ global health

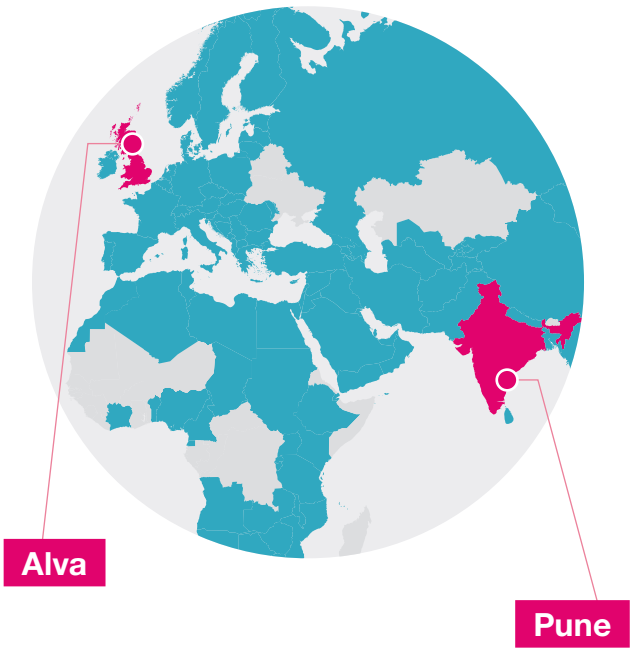
Completion of the fit-out of the 20,000 sq. ft. manufacturing facility in Pune to meet the Group strategy of providing POC testing for infectious diseases

Our foundations

Located in Alva, Scotland, Omega Diagnostics Limited is a subsidiary of Omega Diagnostics Group PLC and manufactures and sells a range of immunoassay tests, predominantly for infectious diseases. Its main product line includes a range of screening and confirmatory tests for syphilis. Many products are capable of being used in resource-limited settings and, when used, do not require instrumentation or laboratory facilities to obtain a result.

In recent times the subsidiary has built up a capability and capacity for the development and manufacturing of rapid diagnostic tests (RDTs) for use in resource-poor settings in developing countries.

In addition, our Indian subsidiary occupies 20,000 sq. ft. of space at the International Biotech Park in Hinjewadi, Pune. The main purpose was to establish a manufacturing facility to produce RDTs. Verification and validation studies are planned for malaria tests produced at the facility.



Our markets

Global health is defined as the health of populations in a global context or "the area of study, research and practice that places a priority on improving health and achieving equity in health for all people worldwide". Its core focus is to save lives, reduce or eliminate disease and have an impact on public health.

Essentially, the route to market is through a mix of policy makers, aid agencies and financial stakeholders with interactive development strategies that aim to achieve aggressive targets set by the United Nations. Known as the Sustainable Development Goals, the targets for improvements in health and well-being are:

a) diagnoses those people at risk;

b) provide treatment to people living with disease; and

c) end the epidemics of those diseases that place the heaviest burden on people in the poorest regions of the world.

National disease control programs utilise WHO for guidance and planning, consequently diagnostic suppliers that develop and supply the tests, devices and instruments must comply with defined performance standards to ensure that products are robust at the point of delivery.

Our aim within this matrix is to address the IVD shortfall in that many technologies are inaccessible to the majority of people who need them, particularly in resource-limited settings.

These are environments that cannot afford the provision of laboratory space, facilities, uninterrupted (if any) power supply and, occasionally, clean running water. They are not staffed by qualified or skilled technicians but by lay healthcare workers who have little or no technical know-how in the manipulation of diagnostic tests. So the products implemented in such situations need to be as "fool proof" as possible from a usability perspective but they must also be robust enough to withstand ambient tropical temperature and lack of technical resources.

Infectious disease revenues

2014	2015	2016
£2.4m	£2.5m	£2.5m

→2–3 For more information on Infection disease

Our products

The current portfolio of products includes, amongst others, a range of serological tests for both the screening and confirmation of syphilis, a range of latex serology tests and a range of stained bacterial suspensions to detect, identify and quantify suspected salmonella, brucella or rickettsial infections.

In addition, there is an existing range of RDTs under the Visitect brand designed to detect malaria, syphilis, leptospirosis and dengue fever.

The Visitect range will be extended by the successful commercialisation of Visitect® CD4 as well as transferring the manufacture of the existing range to our facility in Pune.

Our strategy

Since its inception Omega Diagnostics Limited has manufactured in-vitro diagnostics (IVDs) which have been successfully exported for nearly 30 years. However, these products are coming under threat from advances in technology and competitive activity.

The formation of Omega's Global Health division has allowed us to formulate a strategy aimed at delivering innovative diagnostic solutions that address significant unmet diagnostic needs and establish a profitable and growing business with mid to long term outlook. Omega's partnership with the Burnet Institute has focused efforts in expanding rapid test manufacturing capabilities and providing a means to diversify routes to market via the non-governmental organisation (NGO) arena and associated funding.

To achieve our objectives, we utilise strong alliances with leading research institutions and mutually beneficial third-party commercial partnerships enabling access to the most relevant technologies for POC testing. We will focus on lateral flow as the preferred platform which will allow us to exploit Omega's high quality manufacturing facilities in Alva (UK) and Pune (India).

The products we commercialise correlate as closely as possible with WHO ASSURED criteria (affordable, sensitive, specific, user friendly, rapid/robust, equipment free, and deliverable to the end user), that is to say cost-effective diagnostic tests which provide rapid results and enable immediate decision making at the point of healthcare provision.

For every test we develop and launch we will package alongside a mobile connectivity solution giving the end user added value by providing test device read, interpretation and reporting functionality, whilst at the same time empowering funders and stakeholders with co-ordinated data handling, manipulation and tracking capabilities.

We are now poised for renewed and invigorated growth through commercialisation of our Visitect® CD4 and Allersys® programmes as well as an aggressive organic growth strategy

Andrew Shepherd
Chief Executive

In summary

- Group revenue increased by 5% to £12.7 million, despite currency impact.
- Adjusted profit before tax maintained at £1.4 million.
- New aggressive organic growth strategy identified.
- Continued and steady progress towards the resolution of technical issues with CD4.
- New opportunities identified for the Global Health/Infectious disease business.

Dear fellow shareholder

During the year we have made solid progress with the core business, mostly driven by the Food intolerance division, which delivered another good year of growth and profitability and which more than mitigated the sales decline we saw in Germany.

Operations and organisational change

In August 2015, Colin King was appointed as Chief Operating Officer. He brings extensive knowledge and expertise to the Group and has spent the last few months reviewing each of the business units and identifying organic growth opportunities that can be delivered over the next three years. There has been a very positive effort made by all staff at every level in the Group and a true appreciation that we can grow all of our business segments over that period in both turnover and profitability.

As part of the business review there have been additions to the operations teams in all of our business units to enable us to take on the new opportunities that have been identified. It is worth noting that most of the opportunities are organic in nature, although we plan to establish a small evaluation unit to fully assess new opportunities before bringing them into the mainstream development programme.

We appreciate that our employees are one of our greatest assets and we are ensuring that they are well equipped to execute on the strategic opportunities that we have identified. The appointment of experienced project managers has been key, appreciating that we have fallen short on delivering projects in the past and that we need more control of project processes.

Our two current major opportunities, CD4 and the Allersys® allergy development programme, still offer the nearest potential for transformational growth in the future but, in acknowledging the issues that we have faced with the CD4 technology transfer and subsequent initial trial results in India and Kenya, we clearly had to make some internal changes to how we work.

Core business

Segmental revenue performance

Food intolerance

The Food intolerance division has again performed well, producing double-digit growth. For this year, total Food intolerance sales increased by 19% to £7.06 million (2015: £5.95 million).

Sales of Food Detective® grew by a further 10% in the year to £2.29 million (2015: £2.08 million), with good growth performances in Europe, Latin America and China. Total volumes achieved were 181,000 units (2015: 163,000 units), a growth of 11%.

Sales of Genarrayt®/Foodprint® reagents grew by 38% to £3.47 million (2015: £2.52 million), with strong performances in Europe, North America and the Middle East. The top three markets all exceeded annual revenues in excess of £0.5 million and the

next five markets measured by revenue all exceeded £0.1 million each. The Group sold a further 18 instruments in the year, taking the cumulative number of installations to 168 instruments in 39 countries, and revenue per instrument (excluding Spain) increased by 27% to £18,175 (2015: £14,354). The higher percentage growth rate of reagent sales (as compared to the overall growth in revenue per instrument) reflects the investment that was made into newer North American and South East Asian markets in the previous year.

Our CNS laboratory service showed a decrease of 11% in sales to £0.58 million (2015: £0.65 million). Sales were still dominated by the markets in the UK and Ireland and we produced and sold 7,008 patient reports in the year (2015: 8,241), maintaining an average price of £82.73 per report (2015: £79.33).

Food intolerance will continue to be a key growth driver and contributor to the bottom line. This has been reflected in the increase in operational and marketing resource to provide high level scientific and technical support for the CNS product range. The growth trajectory is expected to continue, with this core business supported by increasing the range of products and services in the health and well-being market, which now extends beyond 75 countries.

Allergy and autoimmune

Sales for the Allergy and autoimmune division are comprised of Allergy sales of £2.57 million (2015: £3.08 million) and sales of Autoimmune products of £0.59 million (2015: £0.53 million), an increase of 11%. The Allergy sales continue to be derived almost exclusively from our Omega Diagnostics GmbH business in Germany, which has experienced a reduction in sales due to continued reimbursement restrictions in all but five of the 17 regions we operate in. The overall reduction in Omega Diagnostics GmbH allergy sales was 12% in euro terms. In reported sterling terms, the reduction was 17% due to the weakening of the euro against sterling rate throughout most of the year, the average rate being 1.368 (2015: 1.275). The modest growth in Autoimmune sales reverses a recent downward trend due principally to growth in India and China.

Infectious diseases

Infectious diseases sales decreased by 1% to £2.52 million (2015: £2.55 million). Increased turnover in countries such as Bangladesh and Nigeria have been offset by other markets such as Brazil, which has been hit by an economic downturn.

These products operate in a very competitive and commoditised market, but we foresee a future increase in sales coming from the introduction of new products such as CD4 and malaria rapid tests coming through the Global Health programme and the Pune operation.

"Colin King brings extensive knowledge and expertise to the Group."

Andrew Shepherd
Chief Executive

Genarrayt®/ Foodprint® sales

£3.5m
▲ 38%

Food Detective® sales

£2.3m
▲ 10%

→ 20

For more information see our Financial Review

Allergy development

Significant efforts continued to be made throughout the year with the optimisation of 41 allergens being achieved in April 2016. All of our Allersys® reagents have been validated on the IDS iSYS analyser, demonstrating performance that matches the market leader. Inventory build is underway for the launch, which is expected to be over the next few months. Work is already being carried out to increase the number of allergen tests, both in house and with our external development partner.

With external evaluations having now been completed in Spain, Italy and France, with a fourth evaluation being completed in Germany, we will have sufficient data to allow us to apply the CE Mark to all 41 allergens, a prerequisite for marketing any diagnostic test in Europe and beyond.

In addition to the Allersys® programme, we have taken steps to reinvigorate an allergy dipstick product line called Allergodip® by expanding the panel of tests available to include country-specific panels. This, alongside the introduction of a mobile phone app that allows quantification of the test result, will provide us with a much broader product offering and one that will appeal to many of the resource-poor countries where we operate. India, with its plethora of small labs, is a particular target market for this product.

Infectious diseases

Visitect® CD4

Over the last year, we have concentrated our efforts to resolve the so called ambient temperature effect (ATE). The root cause of this was determined and it was anticipated that we would need to work with design companies to provide a one-step solution to the ATE because a sample pre-treatment step was required. However, we continued to also investigate possible alternative designs and subsequently demonstrated we can manufacture devices which indicate operating performance at temperatures between 20°C and 35°C during in-house testing, without the need for a sample pre-treatment step. This is currently undergoing exhaustive testing with patient samples at a local hospital site.

We have continued to engage with the various stakeholders in this area and all the indications are that there is still a substantial market for this product when launched. We still need to undertake clinical field trials and obtain regulatory approvals once we have a finished test. Visitect® CD4 will be the only instrument-free, disposable CD4 test available in the world, having seen two competitors leave the field over the last year. We remain confident that we will deliver a product which generates significant demand throughout the global health community.

Core business continued

Infectious diseases continued

Rapid test manufacturing

The opening of our new rapid test manufacturing facility in Pune, India, means that we not only have additional manufacturing space for Visitect® CD4 but also for additional rapid tests that can be produced in a low cost manufacturing environment. The manufacturing equipment has been installed and validated and work has commenced on manufacturing a range of malaria tests which will go into field trials during the new financial year. Given our extensive links in the field of global health, other opportunities present themselves on a regular basis, including the development of new tests for dengue fever, a major tropical disease.

Outlook

Once again, Food intolerance kept up its good performance for both principal products, Food Detective® and Genarrayt®/ Foodprint®, and we expect to see this continuing in the year ahead with the marketing initiatives being planned and executed as part of our organic growth strategy.

Reaching the launch stage of the Allersys® allergy tests is another milestone achievement for the Group and we are looking forward to reporting good sales progress over the coming year, together with our continuing goal of delivering Visitect® CD4 to the market.

The entire Group has been energised by the arrival of Colin King and we have identified several potential opportunities for accelerated growth over the next three years. We will look to execute on those which deliver the greatest shareholder value.

Once again, I would like to thank all the Group employees who have made great efforts throughout the year in delivering progress. We look forward to a year of growth and further progress.

Andrew Shepherd
Chief Executive
24 June 2016

During the year we have made solid progress with the core business mostly driven by the Food intolerance division, which delivered another good year of growth and profitability

Q What made you decide to join Omega?

A I hadn't planned to leave Axis-Shield; however, as I thought about where the company was, I realised that, although the vision I had created was only 90% complete, I was confident that the team I had put in place could complete the journey without me. When I was looking at the revenues of the Omega business I could see there was a clearly significant upside potential from Allersys® and Visitect® CD4 alongside a growing food business. This made me realise that there were exciting times ahead for Omega and I wanted to be part of delivering this step change.

Q Has it been what you expected and do you regret moving?

A I certainly do not regret moving and, following my first nine months in the job, I am even more excited about the opportunities in front of us now than I was initially.

"We initiated a three-year business planning exercise across all sites with the key driver being accelerated growth. This process has now been completed and has highlighted opportunities to grow all three operating segments."

Colin King
Chief Operating Officer

Q What have you achieved to date?

A We initiated a three-year business planning exercise across all sites, with the key driver being to accelerate growth. This process has now been completed and has highlighted opportunities to grow all three operating segments (Allergy and autoimmune, Food intolerance and Infectious diseases).

On Allergy and autoimmune, following the successful completion of 41 allergens, we are now in the process of accelerating the development project over the next three years to achieve 120 allergens in total, which will give us a fully competitive panel. In addition to this, we have an opportunity within the lower throughput segment with our Allergodip® test, which is a strip-based test – we see opportunities to target China and emerging countries, including India, with the introduction of quantification via a mobile phone app.

With regard to Food intolerance, a US and China market strategy is being developed alongside complementary regional food panels which, once completed, will facilitate significant growth.

On Infectious disease, along with Visitect® CD4, the Pune facility offers new rapid test opportunities in the coming years which are currently not exploited.

An initial review of skills gaps within the organisation has been undertaken and, across all sites, we are introducing dedicated project management, strategic sourcing and additional scientific resource. All of these positions should help us to deliver all of our projects within the planned timescales, including the successful launch of Visitect® CD4.

We have not only looked at revenues as part of the three-year business plan, we have also looked at all aspects of our business and identified five key goals, as shown below:

- **accelerate growth** – as per above;
- **one company** – where all employees are aligned with the goals of the business and committed to a process of continuous improvement;
- **execute and deliver** – develop efficient, effective and compliant processes across all areas of the business;
- **employees** – provide a framework where all employees can contribute to the business through effective management and leadership; and
- **customer focus** – maintaining customers at the heart of the organisation.

Goals

Accelerated growth | **One company** | **Execute and deliver** | **Employees "Our greatest asset"** | **Customer focus**

Operating a system of internal control and risk management

The long-term success of the Group depends on the continual review, assessment and control of the key business risks it faces. The Group's current principal risks and uncertainties are briefly outlined below.

Risk and description	Mitigating actions	Change
General economic conditions The Group may be faced with changes in the general economic climate in each territory in which it operates that may adversely affect the financial performance of the Group. Factors which may contribute include the level of direct and indirect competition against the Group, industrial disruption, rate of growth of the Group's product segments and interest rates.	The Group seeks to mitigate this risk by conducting operations on a broad geographic basis and by introducing new technologies to remain innovative.	↑ The current general economic climate has been dominated by short-term uncertainty in the lead up to the UK referendum on EU membership.
Regulatory risk The manufacturing, marketing and use of the Group's products are subject to regulation by government and regulatory agencies in many countries. Of particular importance is the requirement to obtain and maintain approval for a product from the applicable regulatory agencies to enable the Group's products to be marketed. Approvals can require clinical evaluation of data relating to safety, quality and efficacy of a product.	The Group has increased its resource in this area during the year and conducts its operations within recognised quality assurance systems and undergoes external assessment to ensure compliance with these systems.	→ The risk is unchanged in the year in that known changes to the IVD regulations are already being planned for by the Group.
Funding risk The success of growing the business can sometimes depend on the ability of the Directors to access external funding, of which there can be no guarantee, beyond the level of existing internal cash generation.	The Group seeks to mitigate this risk by maintaining good relationships with a number of funding sources, including shareholders and banks that could provide additional debt facilities.	→ The Group has just renewed its overdraft at an increased level of £1.7 million (2015: £1.0 million). Equity funding markets have seen some volatility with economic and political events affecting IPOs and secondary fundraisings.

Key

↑ Increase in risk

→ No change in risk

↓ Decrease in risk

Risk and description	Mitigating actions	Change
Eurozone risk		→
The euro area combines 19 countries with multiple domestic policies all having to operate under common monetary conditions. The legacy of the financial crisis and differing policy choices will continue to weigh more heavily on some than others.	The Group monitors those countries under pressure and mitigates the risk in those countries where it has trading relationships with tighter credit control procedures and credit limits where necessary.	Economic forecasts for global growth in 2016 continue to be set lower than 2015, but lower energy and commodity prices have provided a boost to some economies in Europe.
Development risk		↓
The Group has undertaken a similar level of development compared to the prior year with the aim of launching new products in the future. There is no guarantee that development activity will lead to the future launch of products. Such development activity can meet technical hurdles that are unable to be overcome and market and competition activity can render the output from development activities obsolete.	The Group seeks to mitigate the risk around development activities by ensuring that development programmes are planned in accordance with recognised industry quality standards, managed by people with the requisite skills. The Group also continues to monitor industry trends and customers' needs to ensure its development targets remain relevant.	The Group has completed the optimisation of 41 Allersys® allergens whose performance matches with the market-leading product. The Group has continued to resolve a number of issues with the development of Visitect® CD4 and it remains the only prospective near-term POC solution for the market.
Foreign currency risk		↑
A significant proportion of the Group's sales are denominated in euros through Omega Diagnostics GmbH and in US dollars and the growing business through Omega Dx (Asia) in India means that the Group is subject to risks associated with currency movements. Geopolitical tensions also exist in certain parts of the world, which can lead to a tightening of monetary conditions.	Natural hedging is adopted where possible whereby certain goods and services are sourced in euros and US dollars to match liabilities with trading income in these currencies. It is currently the Group's policy to settle intercompany balances with Omega Diagnostics GmbH and Omega Dx (Asia) within a short timescale.	The increased risk relates to the increased levels of foreign currency investment in Omega Diagnostics GmbH and Omega Dx (Asia) that are subject to exchange rate movements. In the year itself, the Group has reported a gain through other comprehensive income as exchange rate movements were favourable compared to the prior year.

We have remained efficient in terms of converting operating profit into operating cash

Kieron Harbinson
Group Finance Director

In summary

- Total Group revenue increased by just over 5% to £12.7 million.
- Overdraft facility increased to £1.7 million from £1.0 million.
- Conversion rate of operating profit into operating cash of 108%.

Financial performance

Our core business has again proved to be resilient. Total revenue was up by 5.3% to £12.7 million (2015: £12.1 million), with our Food intolerance division delivering another strong performance, with continued double-digit year-on-year revenue growth. Our Allergy and autoimmune division suffered another fall in revenue due to a reduced level of sales in Germany and our Infectious disease division maintained revenue within 1% of last year's result. Compared to last year, there was a reduced currency impact in that sales for this year would have been £0.2 million higher (2015: £0.4 million) at constant exchange rates, with a £0.3 million euro-related reduction in sales (weaker euro against sterling) being offset by a US dollar-related gain of £0.1 million (stronger dollar against sterling).

Gross profit increased by 6.0% to £8.1 million (2015: £7.7 million), with the gross margin being maintained at 63.8% (2015: 63.4%). Costs, net of other operating income, have risen by £0.6 million to £7.7 million (2015: £7.1 million), the principal reasons being an increase in costs related to an expanded Board of £0.2 million, an increase in staff and rent costs of the Pune, India, facility and an increase in personnel costs in the UK due to increased staff numbers and auto enrolment into pension schemes in line with UK legislation. Adjusted profit before tax (statutory profit before tax of £0.7m with add backs for amortisation of intangibles, share-based payment charges and IFRS-related discount charges) was maintained at the same level as last year at £1.35 million compared to £1.37 million the year before. Segmental performance as presented in the notes to the financial statements still shows that the Food intolerance division is the only profitable segment right now, but our plans to address the shortfall remain the same, with opportunities for Allersys® and Visitect® CD4 as outlined throughout this Strategic Report.

Other operating income of £273k through the income statement comprised a further amortised credit of £251k from the UNITAID grant received in a prior year and a final amortised credit of £22k from a Scottish Enterprise Regional Selective Assistance grant first awarded in 2012.

Taxation

Our UK companies continue to benefit from a benign tax environment that encourages investment in research and development activities. In the year, adjusted tax losses of £1.4 million for the prior year to 31 March 2015 were surrendered for cash, generating a cash rebate of £0.2 million. The losses were surrendered at 14.5% and we took into account the direction of travel of likely corporation tax rates in the future when these losses are likely to offset future profits. We still have cumulative tax losses of £2.9 million for years ended up to 31 March 2014 that are carried forward for future offset. A portion of these losses were not surrendered due to lower surrender rates applying for earlier years. The current year tax charge of £0.1 million (2015: £0.1 million tax credit) would effectively have been neutral had we not carried out this exercise.

Earnings per share

Adjusted earnings per share were 1.2 pence versus 1.3 pence in the prior year. The difference is due to the tax position, as described above, leading to adjusted

profit after tax of £1.26 million versus £1.43 million in the prior year, both calculated on a fully diluted 109.5 million shares in issue.

Research and development

We continued to invest in research and development at similar levels to last year, spending a total of £1.74 million (2015: £1.81 million), representing 13.7% of Group turnover. Expenditure on our Allersys® project was similar at £0.95 million (2015: £0.98 million) as we maintained our focus on reaching our target of optimising at least 40 allergens for an initial launch. Expenditure on our Visitect® CD4 was also maintained at £0.49 million (2015: £0.48 million) as we achieved a resolution to the previously reported ambient temperature effect and now have a test that functions between 20°C through to 35°C. We also incurred £0.1 million on developing our POC allergy dipstick test, Allergodip®, for use in doctors' offices. Of the £1.74 million incurred, £1.5 million has been capitalised on the balance sheet in accordance with IAS 38 – Development Costs whilst earlier stage R&D expenditure of £0.26 million (2015: £0.31 million) has been expensed through the income statement.

Intangible assets

Our intangible assets have grown to a total of £13.5 million (2015: £12.1 million), which includes components of goodwill of £4.6 million, separately identifiable intangible assets of £3.2 million and capitalised development costs of £5.7 million.

Goodwill

There has been no impairment of goodwill on any of the acquisitions to date. Goodwill of £4.6 million (2015: £4.5 million) has increased by £0.1 million relating to the retranslation of goodwill to £1.2 million (2015: £1.1 million) in acquiring the Allergy IVD business in Germany in 2010. £0.4 million arose on acquiring Co-Tek in 2009 and £3.0 million arose on acquiring Genesis/CNS in 2007.

Intangible assets

Separately identifiable intangible assets have been recognised on acquisition: £2.0 million on Genesis/CNS, of which £0.8 million has been amortised to date; £0.1 million on Co-Tek, which has been fully amortised; and £1.7 million on Omega Diagnostics GmbH, of which £1.2 million has been amortised to date. A purchased licence of £1.5 million relates to the exclusive global access rights to the IDS iSYS platform for allergy testing, which, to date, has not been amortised.

Capitalised development costs

£1.5 million of capitalised development costs have been incurred in the year (as outlined above), bringing the cumulative spend to date to £4.1 million on the Allergy iSYS and Allergodip® projects and £1.6 million on the Visitect® CD4 project, neither of which has been amortised to date. The amortisation of these capitalised development costs, along with the purchased licence referred to above, will only start after commercialisation of these assets. As stated on previous occasions, this particular subset of amortisation charges will not be added back in the computation of the Group's routinely reported adjusted profit before tax.

Property, plant and equipment

The Group invested a further £0.6 million (2015: £0.7 million) in the year across its operations. The largest element included £0.3 million (2015: £0.1 million) in completing the fit-out of our manufacturing facility in Pune, India, and purchasing the initial phase equipment needed to produce rapid lateral flow tests. £0.1 million (2015: £0.3 million) was spent in Alva, including the purchase of additional bench top equipment for Visitect® CD4, and £0.2 million (2015: £0.2 million) has been invested in Genesis/CNS to increase capacity for our flagship Food intolerance products and to undertake some facility refurbishment.

Financing

The Group continues to enjoy a good relationship with its principal bankers and, in June of this year, we agreed an overdraft renewal for an increased facility of £1.7 million (2015: £1.0 million) for a further year. This facility remains undrawn at the date of this report and will be utilised for increased working capital purposes as we look to expand our business across all its income streams.

Operating cash flow

Given the amount we invest in research and development, it is a key priority to manage working capital efficiently and to be effective in converting operating income into cash. Cash inflow from operating activities during the year was £1.45 million (2015: £1.25 million). The Group has achieved a conversion rate of adjusted operating profit (operating profit plus amortisation of intangible assets plus share-based payments) to operating cash of 108% (2015: 93%). As anticipated, we ended the year with cash reserves of £1.30 million (2015: £1.97 million) and net cash of £0.89 million (2015: £1.42 million).

Foreign exchange

The Group has investments in overseas operations and conducts trading transactions in currencies other than sterling. The principal currencies used and the average foreign exchange rates in the year are as follows:

	2015/16 £	2014/15 £
Sterling/US dollar	**1.50**	1.60
Sterling/euro	**1.368**	1.275
Sterling/Indian rupee	**98.22**	98.57

Profit and loss account

The Group has foreign-denominated bank accounts to allow for the receipt and settlement of amounts in connection with its normal trading operations. These transactions are subject to timing differences between when they are transacted and when they are settled, which can give rise to foreign exchange differences. Foreign-denominated receivables, payables and bank balances are restated into sterling at closing balance sheet dates, which also gives rise to foreign exchange differences. During the year, the Group benefited from an exchange gain of £6,000 (2015: £6,000) on these transactions which has been credited through the income statement.

Other comprehensive income

The Group has net assets in Germany and India, held in fully owned subsidiaries. The original investments in these subsidiaries are held at historic exchange rates. The difference between these historic balances and their restated amounts at the most recent closing balance sheet rates gives rise to movements which are recorded through other comprehensive income and carried as a balance sheet reserve. During the year, there has been a gain of £261,000 (2015: £524,000 charge) on the retranslation of foreign operations, predominantly in Germany. Although the average euro rate against sterling was weaker in the current year, as shown in the above table, the spot rate at 31 March 2016 was €1.262 = £1 (2015: €1.367 = £1), hence the gain in the year.

Kieron Harbinson
Group Finance Director
24 June 2016

The team to deliver...

David Evans
Non-executive Chairman A R

Appointed August 2000

David joined Omega in 2000 as Non-executive Chairman. He has considerable experience within the diagnostics industry. As Financial Director he was a key member of the team that floated Shield Diagnostics Limited in 1993. He became Chief Executive Officer responsible for the merger of Shield Diagnostics Group plc with Axis Biochemicals ASA of Norway in 1999 to create Axis-Shield plc. In addition to his role as Non-executive Chairman of Omega, he holds Non-executive Directorships in a number of other companies.

Andrew Shepherd
Chief Executive

Founder

Andrew is the Founder and Chief Executive of Omega. He has worked in the medical diagnostics industry for 42 years. In 1986 he moved to Scotland to join Bioscot Limited and, shortly afterwards, established Omega. He has used his technical experience and knowledge of exporting to oversee the significant growth of the export of Omega products. He is an active member of a number of relevant trade associations, and was a member of the Bill and Melinda Gates Foundation's (BMGF) Global Health Diagnostics Forum, which provided guidance to BMGF in advising on technology and future investments in worldwide diagnostics programmes for developing countries.

Kieron Harbinson
Finance Director

Appointed August 2002

Kieron joined Omega in August 2002 as Finance Director. He has a broad experience in technology and related businesses. He started his career with Scotia Holdings PLC in 1984 and remained with the company for 14 years, occupying various senior finance roles. These roles enabled him to acquire experience in corporate acquisitions, disposals and intellectual property matters. In addition he gained experience in various debt and equity transactions, and was involved in raising over £100 million for the company. He then joined Kymata Limited, a start-up optoelectronics company, as Finance Director. Over a period of 18 months, he was involved in raising approximately US$85 million of venture capital funding.

Jag Grewal
Sales and Marketing Director

Appointed June 2011

Jag joined Omega in June 2011 as Group Sales and Marketing Director. He has worked in the medical diagnostics industry for 22 years having started out as a Clinical Biochemist in the NHS. In 1995 he joined Beckman Instruments where he developed a career spanning 15 years in sales and marketing holding a variety of positions in sales, product management and marketing management. In 2009 he left his position of Northern Europe Marketing Manager to join Serco Health where he helped create, the first joint venture within UK pathology between Serco and Guy's and St Thomas' Hospital. He is also past Chairman and current treasurer of the British In Vitro Diagnostics Association (BIVDA).

William Rhodes
Non-executive Director A R

Appointed 1 May 2013

During his 14-year career with Becton, Dickinson and Co., one of the world's leading suppliers of medical, diagnostic and life science research products, Bill held a number of senior leadership positions and, until the end of 2012, was BD's Senior Vice President, Corporate Strategy and Development, being responsible for BD's worldwide mergers and acquisitions and corporate strategies. Previously, he was Worldwide President of BD Biosciences, a business segment with turnover of over US$1.0 billion, including the provision of flow cytometry instruments and their associated reagents for CD4 testing used in a wide range of laboratory settings. Prior to working for BD, Bill held senior business development positions with Pfizer Inc. and Johnson and Johnson.

Colin King
Chief Operating Officer

Appointed 3 August 2015

Colin joined Omega in August 2015 as Chief Operating Officer. He has worked in the medical diagnostics industry for 21 years, previously working for Axis-Shield. He joined them in 1995 and held a number of positions encompassing planning, supply chain, project management, operations and, ultimately, from 2007 was Managing Director of the Laboratory division. During his time as Managing Director he was responsible for leading their diversification strategy which was successful in maintaining revenues despite retiring two key product revenue lines.

...accelerated growth

Key

A Audit Committee R Remuneration Committee Committee Chairman

Dr Edward Valente
Group Research and Development Director

Edward joined Omega in March 2011 as Allergy Systems Director. He has worked in the medical diagnostics industry for 31 years. He started his career with Amersham International in 1983 where he held scientific and managerial positions in clinical diagnostics research and development. He then joined Shield Diagnostics in 1988 and held managerial positions in R&D and marketing. Latterly, he was responsible for market development of new markers, including clinical studies, and design and development of immunoassay products on automated platforms for industry majors.

Mike Gordon
Group Operations Director

Mike joined Omega in October 2011 as Group Operations Director. He has worked in the medical diagnostics industry for 31 years. He started his career with Inveresk Research International as a Development Scientist. He then joined Bioscot Ltd working through its transition to Cogent Diagnostics Ltd and onwards to HYCOR BioMedical Ltd. During this time, he has held the positions of Quality Manager, Production Director and, latterly, Production and Logistics Manager for its last corporate owners. During this period, he was responsible for the implementation of ISO 9001 and for successfully navigating the company through the process of US FDA registration and inspection.

Iain Logan
Group Financial Controller

Iain joined Omega in November 2010 as Group Financial Controller. He qualified as a Chartered Accountant in 2002 with PricewaterhouseCoopers in Edinburgh. He then worked at Murray International Holdings Limited in the head office finance team for three years performing a variety of financial accounting roles. He then moved on to Murray Capital Limited, the investment management company of Murray International Holdings Limited, gaining experience in all aspects of acquisitions, disposals and investment portfolio company analysis and management. His current role primarily covers responsibility for the financial reporting of the Group and management of the Group finance team.

Prashant Maniar
Managing Director – Omega Dx (Asia) Pvt Limited

Prashant joined Omega Dx (Asia) in October 2011 as Managing Director. He has worked in the diagnostics industry for 25 years. He started his career as Production Head in Cadila Laboratories. He then spent 15 years working for GlaxoSmithKline and ThermoFisher Scientific in various roles, establishing their diagnostic business in India with 14 collaborations with national and multinational companies. In his most recent role he established the Microbial Control business for Lonza India. He has been responsible for the commercial set up of Omega Dx (Asia) Pvt Limited and has transitioned the Group's business in India from distributor to wholly owned subsidiary.

Jamie Yexley
Site Manager – Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited

Jamie joined Genesis and CNS in June 1999 as a Production Laboratory Assistant. He was promoted to Production Manager in 2005 and Operations Manager in 2009. He has been instrumental in seeing the Company through a sustained period of rapid growth and change. In 2012 he moved to the role of Site Manager. He has 22 years' manufacturing experience, with 14 years specifically in the medical diagnostics industry. Educated in Cambridge he has spent his professional career working in the manufacturing industry, starting in an FMCG environment. Throughout his time with the Company he has been responsible for ICT, where he is recognised as the Group's foremost expert.

Karsten Brenzke
Site Manager – Omega Diagnostics GmbH

Karsten joined Omega Diagnostics GmbH in November 2010 as a consultant to facilitate the acquisition of the IVD business from Allergopharma. He was then appointed on a permanent basis initially as Finance Manager before being appointed as Site Manager in May 2012. He has worked for different industry companies in the finance control function, with his longest stay of seven years at Zeppelin Power Systems where he gained experience in mergers and post-merger integration.

As an AIM-quoted company, the Group is not required to produce a Corporate Governance Report and does not comply fully with the requirements of the UK Corporate Governance Code. However, the Directors are committed to providing information on an open basis and present their Corporate Governance Report as follows:

The Board of Directors

The Board currently comprises one Non-executive Chairman, one Non-executive Director and four Executive Directors, who are the Chief Executive, the Chief Operating Officer, the Finance Director and the Sales and Marketing Director. David Evans, Non-executive Chairman, and William Rhodes, Non-executive Director, are considered by the Board to be independent in character and judgement. The Board meets at regular intervals and is responsible for setting corporate strategy, approving the annual budget, reviewing financial performance, agreeing the renewal of, and any new, banking/treasury facilities, approving major items of capital expenditure and reviewing and approving acquisitions. The Board is provided with appropriate information in advance of Board meetings to enable it to discharge its duties effectively.

During the financial year, the Board met on eight occasions. Of the eight meetings David Evans, Kieron Harbinson and Andrew Shepherd attended all eight and Jag Grewal and William Rhodes attended seven out of the eight meetings they were entitled to attend. Colin King attended six out of the six meetings he was entitled to attend.

The Chairman has additional Non-executive Directorships of the following companies:

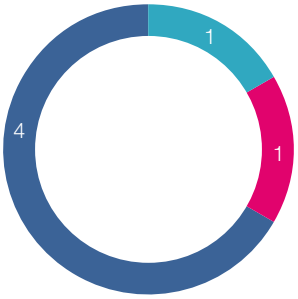
– Diagnostic Capital Limited
– Lochglen Whisky Limited
– Fine Art of Golf Limited
– OptiBiotix Health plc
– Premaitha plc
– Integrated Magnetic Systems Limited
– Collagen Solutions plc
– Relitect Limited

Responsibilities of the Board

– Setting corporate strategy
– Approving the annual budget
– Reviewing financial performance
– Agreeing the renewal of, and any new, banking/treasury facilities
– Approving major items of capital expenditure
– Reviewing and approving acquisitions

The Board is provided with appropriate information in advance of Board meetings to enable it to discharge its duties effectively.

Executive/Non-executive Board membership



Key

Non-executive Chairman **1**

Non-executive Director **1**

Executive Director **4**

Board attendance throughout the year

	Board	Audit Committee	Remuneration Committee
David Evans	8/8	3/3	3/3
Andrew Shepherd	8/8	—	—
Kieron Harbinson	8/8	—	—
Jag Grewal	7/8	—	—
William Rhodes	7/8	3/3	3/3
Colin King	6/6	—	—

The Audit Committee

The Audit Committee has met on two occasions during the year and once since the year end. The Committee is comprised of David Evans, as Chairman, and William Rhodes and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditors relating to the Group's accounting and financial reporting, in all cases having due regard to the interests of shareholders. The Committee shall also review preliminary results announcements, summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.

The Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Group's external auditors. The Committee also oversees the relationship with the external auditors, including approval of remuneration levels, approval of terms of engagement and assessment of their independence and objectivity. In so doing, they take into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services. Ernst & Young LLP have been auditors to Omega Diagnostics Limited (ODL) since 2000 and were appointed as auditors to the Group following completion of the reverse takeover of ODL in September 2006.

The Audit Committee continued

The Committee has reviewed the effectiveness of the Group's system of internal controls and has considered the need for an internal audit function. At this stage of the Group's size and development, the Committee has decided that an internal audit function is not required as the Group's internal controls system in place is appropriate for its size. The Committee will review this position on an annual basis.

The Committee also reviews the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that such arrangements allow for independent investigation and follow-up action.

The Remuneration Committee

The Remuneration Committee has met on three occasions during the year. The Committee is comprised of David Evans, as Chairman, and William Rhodes and has primary responsibility for determining and agreeing with the Board the remuneration of the Company's Chief Executive, Chairman, Executive Directors, Company Secretary and such other members of the Executive management as it is designated to consider. The remuneration of the Non-executive Directors shall be a matter for the Chairman and the Executive Directors of the Board. No Director or manager shall be involved in any decisions regarding their own remuneration.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness throughout the year. Such a system can only provide reasonable assurance against misstatement or loss.

The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in financial statements.

Where the management of operational risk requires outside advice, this is sought from expert consultants, and the Group receives this in the areas of employment law and health and safety management.

The Group is compliant with industry standard quality assurance measures and undergoes regular external audits to ensure that accreditation is maintained.

Communication with shareholders

The Board recognises the importance of communication with its shareholders. The Group maintains informative websites for Omega Diagnostics Limited, Cambridge Nutritional Sciences Limited and Omega Diagnostics GmbH containing information likely to be of interest to existing and new investors. In addition, the Group retains the services of financial PR consultants, providing an additional contact point for investors. The Board encourages shareholder participation at its Annual General Meeting, where shareholders can be updated on the Group's activities and plans.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report, which runs from pages 2 to 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 and 21. In addition, Note 21 to the financial statements includes the Group's objectives, policies and processes for its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has recently secured a £1.7 million overdraft facility for a twelve-month period to May 2017 and this, together with a cash-generative core business and the application of working capital discipline, means that the Group maintains cash levels within its business to meet its short and longer-term objectives.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully and fully capitalise on the new product opportunities despite continued uncertainties with the macroeconomic outlook.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the Board

Kieron Harbinson
Company Secretary
24 June 2016

As an AIM-quoted company, the Group is not required to produce a Remuneration Report that satisfies all the requirements of the Companies Act. However, the Directors are committed to providing information on an open basis and present their Remuneration Report as follows:

Remuneration Committee

The Remuneration Committee is comprised of David Evans and William Rhodes. The Committee meets as and when required to determine and agree with the Board the policy for the remuneration of the Group's Chief Executive, Chairman and Executive Directors. The objective of this policy shall be to ensure that members of the Executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Group. No Director or manager shall be involved in any decisions as to their own remuneration.

Remuneration policy

The Group's policy is that the remuneration arrangements, including pensions, for subsequent financial years should be sufficiently competitive to attract, retain and motivate high quality Executives capable of achieving the Group's objectives, thereby enhancing shareholder value.

Incentive schemes/share option schemes

During the year, Colin King was issued with an option over 1,200,000 ordinary shares of the Group. All of the options were granted on 29 September 2015 and were under the Company's EMI Option Scheme.

Directors' service contracts

Andrew Shepherd entered into a service contract with the Group on 23 August 2006, under which he was appointed as Chief Executive on an annual salary of £85,000. His salary was increased to £131,250 per annum from 1 April 2009, then increased to £145,000 per annum from 1 April 2011 and then further increased to £190,000 per annum on 1 August 2015. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

Kieron Harbinson entered into a service contract with the Group on 23 August 2006, under which he was appointed as Finance Director and Company Secretary on an annual salary of £72,500. His salary was increased to £94,500 per annum from 1 April 2009, then increased to £115,000 per annum from 1 April 2011 and then further increased to £150,000 per annum on 1 August 2015. The agreement will continue until terminated by either party giving to the other not less than six months' notice in writing.

David Evans was appointed as a Non-executive Director of the Group on 19 September 2006 and was entitled to an annual fee of £25,000 from 1 April 2008. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Jag Grewal entered into a service contract with the Group on 30 June 2011, under which he was appointed as an Executive Director on an annual salary of £110,000. His salary was increased to £140,000 per annum on 1 August 2015. The agreement will continue until terminated by either party giving to the other not less than three months' notice in writing.

William Rhodes was appointed as a Non-executive Director of the Group on 1 May 2013 and is entitled to an annual fee of £40,000. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Colin King entered into a service contract with the Group on 3 August 2015, under which he was appointed as Chief Operating Officer on an annual salary of £177,500.

Directors' emoluments

	Fees/basic salary £	Bonuses £	Benefits in kind £	**Total 2016 £**	Total 2015 £
Executive					
Andrew Shepherd	175,000	—	—	**175,000**	145,000
Kieron Harbinson	138,333	—	1,485	**139,818**	116,789
Jag Grewal	130,000	—	4,121	**134,121**	110,000
Colin King	118,333	17,750	903	**136,986**	—
Non-executive					
David Evans	25,000	—	—	**25,000**	25,000
William Rhodes	40,000	—	—	**40,000**	40,000
	626,666	17,750	6,509	**650,925**	436,789

The amounts paid in the year towards Directors' pension contributions were as follows:

Directors' pension contributions

	2016 £	2015 £
Andrew Shepherd	**8,750**	7,250
Kieron Harbinson	**6,917**	5,750
Jag Grewal	**6,500**	5,500
Colin King	**5,917**	—
	28,084	18,500

Directors' pension contributions continued

Directors' interests in the 4 pence ordinary shares of Omega Diagnostics Group PLC are as follows:

	31 March 2016	31 March 2015
David Evans	**3,043,634**	3,043,634
Kieron Harbinson	**426,062**	426,062
Andrew Shepherd	**2,708,180**	2,708,180
Jag Grewal	**99,913**	99,913
Colin King	**—**	—
William Rhodes	**—**	—

The Directors have no interests in the shares of subsidiary companies.

Directors' share options

	At 1 April 2015	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2016	Option price	Date of grant	Earliest exercise date	Expiry date
David Evans	390,822	—	—	—	**390,822**	19.0p	10/12/08	10/12/09	10/12/18
William Rhodes	2,130,406	—	—	—	**2,130,406**	15.25p	04/07/13	04/07/16	04/07/23
Andrew Shepherd	703,480	—	—	—	**703,480**	19.0p	10/12/08	10/12/09	10/12/18
	600,000	—	—	—	**600,000**	14.5p	05/07/12	05/07/15	05/07/22
	800,000	—	—	—	**800,000**	30.5p	25/02/14	25/02/17	25/02/24
Kieron Harbinson	468,987	—	—	—	**468,987**	19.0p	10/12/08	10/12/09	10/12/18
	300,000	—	—	—	**300,000**	14.5p	05/07/12	05/07/15	05/07/22
	640,000	—	—	—	**640,000**	30.5p	25/02/14	25/02/17	25/02/24
Jag Grewal	100,000	—	—	—	**100,000**	13.25p	12/08/11	12/08/12	12/08/21
	200,000	—	—	—	**200,000**	14.5p	05/07/12	05/07/15	05/07/22
	610,000	—	—	—	**610,000**	30.5p	25/02/14	25/02/17	25/02/24
Colin King	—	1,200,000	—	—	**1,200,000**	13.0p	29/09/15	29/09/18	29/09/25

During the year, Colin King was issued with options under the Company's EMI Option Scheme.

The share price at 31 March 2016 was 14.38 pence. The highest and lowest share prices during the year were 25.5 pence and 12.875 pence respectively.

Approved by the Board

David Evans
Non-executive Director
24 June 2016

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2016.

Principal activities
The principal activity of the Company is as a holding company. The principal activities of the Group are the manufacture, development and distribution of medical diagnostics products.

Results and dividends
The result for the year is a profit of £571,912 (2015: £739,046), which has been taken to reserves. The Directors, do not propose to pay a dividend. The results are disclosed in more detail in the Strategic Report on pages 2 to 21.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Company loss for the year ended 31 March 2016 is £50,757 (2015: loss of £434,233).

Business review and future development
A review of business and future development is discussed in more detail in the Strategic Report.

Research and development
Details of research and development activity are contained in the Financial Review on pages 20 and 21. Costs in the year amounted to £1,743,354 (2015: £1,807,661). Costs of £258,306 in relation to research activities (2015: £307,149) were expensed through the statement of comprehensive income and costs of £1,485,048 in relation to product development (2015: £1,500,512) were capitalised and included within intangible assets as detailed in Note 8.

Directors
The names of the Directors who have served the Group throughout the year are:

- David Evans
- Kieron Harbinson
- Andrew Shepherd
- Jag Grewal
- William Rhodes
- Colin King (appointed 3 August 2015)

Biographies of all Directors serving at the year end are on page 22.

Directors' interests
The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report on pages 26 and 27. There are no non-beneficial interests held by Directors. There have been no changes to any Director's interests in the shares of the Group between 31 March 2016 and the date of this report.

Employees
The Group encourages communication with its employees and favours an environment where staff can put forward their ideas, suggestions and concerns on any matter that involves them. The Group gives full and fair consideration to applications for employment made by disabled people, having regard to their particular aptitudes and abilities. Where an employee becomes disabled in the course of their employment, where possible, arrangements will be made for appropriate retraining to match their abilities with their duties.

Principal risks and uncertainties
The Board meets regularly to review operations and to discuss risk areas. The Strategic Report contains details of the Group's system of internal control and risks and uncertainties faced. Note 21 to the financial statements contains details of financial risks faced by the Group.

Auditors
The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 22. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board

Kieron Harbinson
Company Secretary
24 June 2016

Major interests in shares
As at 8 June 2016 the following shareholders held more than 3% of the Group's issued ordinary share capital:

	Number of 4 pence ordinary shares	Percentage
Legal & General Investment Management	14,010,498	12.88%
Liontrust Asset Management	8,711,494	8.01%
Richard Sneller	6,765,000	6.22%
Octopus Investments Limited	6,682,730	6.15%
Mobeus Equity Partners LLP	6,541,600	6.02%
Hargreaves Lansdown Stockbrokers	5,113,827	4.70%
Harwood Capital	4,731,473	4.35%
Unicorn Asset Management	4,266,750	3.92%
SG Private Banking	3,900,265	3.59%
Charles Stanley Stockbrokers	3,833,314	3.53%

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company Financial Statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors are required to prepare Group and Company financial statements for each financial year end. Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Group and Company, financial performance of the Group and cash flows of the Group and Company for that period. In preparing the Group and Company financial statements, the Directors are required to:

– select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

– provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;

– state that the Group and Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and

– make judgements and estimates that are reasonable.

The Directors are 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 Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2016 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, Company balance sheet, Company statement of changes in equity, Company cash flow statement and the related Notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Group Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently material based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Annie Graham (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
24 June 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2016

	Note	2016 £	2015 £
Continuing operations			
Revenue	7	**12,743,896**	12,105,319
Cost of sales		**(4,608,383)**	(4,431,671)
Gross profit		**8,135,513**	7,673,648
Administration costs		**(5,917,453)**	(5,278,903)
Selling and marketing costs		**(1,821,068)**	(1,894,844)
Other income		**272,769**	173,069
Operating profit	7	**669,761**	672,970
Finance costs	5	**(24,154)**	(30,620)
Finance income – interest receivable	7	**16,225**	41,908
Profit before taxation		**661,832**	684,258
Tax (charge)/credit	6	**(89,920)**	54,788
Profit for the year		**571,912**	739,046
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		**260,960**	(523,856)
Tax (charge)/credit		**(29,098)**	56,068
Other comprehensive income that will not be reclassified to profit and loss in subsequent periods			
Actuarial gain/(loss) on defined benefit pensions		**255,459**	(270,128)
Tax (charge)/credit		**(47,533)**	58,228
Other comprehensive income for the year		**439,788**	(679,688)
Total comprehensive income for the year		**1,011,700**	59,358
Earnings per share (EPS)			
Basic and diluted EPS on profit for the year	20	**0.5p**	0.7p

Adjusted Profit Before Taxation

for the year ended 31 March 2016

	2016 £	2015 £
Profit before taxation	**661,832**	684,258
IFRS-related discount charges	**17,793**	14,941
Amortisation of intangible assets	**309,163**	378,680
Share-based payment charges	**362,327**	295,223
Adjusted profit before taxation	**1,351,115**	1,373,102
Earnings per share (EPS)		
Adjusted EPS on profit for the year	**1.2p**	1.3p

Adjusted profit before taxation is derived by taking statutory profit before taxation and adding back IFRS-related discount charges, amortisation of intangible assets and share-based payment charges. This is not a primary statement.

Consolidated Balance Sheet

as at 31 March 2016

	Note	2016 £	2015 £
ASSETS			
Non-current assets			
Intangibles	8	**13,462,355**	12,104,723
Property, plant and equipment	9	**2,691,722**	2,429,233
Deferred taxation	14	**1,426,205**	1,530,777
Retirement benefit surplus	18	**44,759**	—
Total non-current assets		**17,625,041**	16,064,733
Current assets			
Inventories	10	**2,011,495**	2,062,095
Trade and other receivables	11	**2,838,269**	2,539,851
Cash and cash equivalents		**1,302,257**	1,972,137
Total current assets		**6,152,021**	6,574,083
Total assets		**23,777,062**	22,638,816
EQUITY AND LIABILITIES			
Equity			
Issued capital		**16,727,516**	16,727,516
Retained earnings		**3,905,909**	2,792,842
Other reserves		**(446,248)**	(707,208)
Total equity		**20,187,177**	18,813,150
Liabilities			
Non-current liabilities			
Long-term borrowings	12	**282,914**	315,446
Deferred taxation	14	**1,537,560**	1,266,213
Deferred income	13	**—**	83,394
Retirement benefit deficit	18	**—**	192,907
Total non-current liabilities		**1,820,474**	1,857,960
Current liabilities			
Short-term borrowings	12	**127,783**	237,772
Trade and other payables	13	**1,641,628**	1,542,059
Deferred income	13	**—**	187,875
Total current liabilities		**1,769,411**	1,967,706
Total liabilities		**3,589,885**	3,825,666
Total equity and liabilities		**23,777,062**	22,638,816

David Evans
Non-executive Chairman
24 June 2016

Kieron Harbinson
Finance Director
24 June 2016

Omega Diagnostics Group PLC
Registered number: 5017761

Consolidated Statement of Changes in Equity

for the year ended 31 March 2016

	Share capital £	Share premium £	Retained earnings £	Translation reserve £	Total £
Balance at 31 March 2014	5,086,756	11,640,760	1,914,405	(183,352)	18,458,569
Profit for the year ended 31 March 2015	—	—	739,046	—	739,046
Other comprehensive income – net exchange adjustments	—	—	—	(523,856)	(523,856)
Other comprehensive income – actuarial loss on defined benefit pensions	—	—	(270,128)	—	(270,128)
Other comprehensive income – tax credit	—	—	114,296	—	114,296
Total comprehensive income for the year	—	—	583,214	(523,856)	59,358
Share-based payments	—	—	295,223	—	295,223
Balance at 31 March 2015	5,086,756	11,640,760	2,792,842	(707,208)	18,813,150
Profit for the year ended 31 March 2016	—	—	571,912	—	571,912
Other comprehensive income – net exchange adjustments	—	—	—	260,960	260,960
Other comprehensive income – actuarial gain on defined benefit pensions	—	—	255,459	—	255,459
Other comprehensive income – tax charge	—	—	(76,631)	—	(76,631)
Total comprehensive income for the year	—	—	750,740	260,960	1,011,700
Share-based payments	—	—	362,327	—	362,327
Balance at 31 March 2016	**5,086,756**	**11,640,760**	**3,905,909**	**(446,248)**	**20,187,177**

Consolidated Cash Flow Statement

for the year ended 31 March 2016

	Note	2016 £	2015 £
Cash flows generated from operations			
Profit for the year		**571,912**	739,046
Adjustments for:			
Taxation		**89,920**	(54,788)
Finance costs		**24,154**	30,620
Finance income		**(16,225)**	(41,908)
Operating profit before working capital movement		**669,761**	672,970
Increase in trade and other receivables		**(298,418)**	(123,934)
Decrease/(increase) in inventories		**50,600**	(369,154)
Increase in trade and other payables		**99,569**	155,701
Gain on sale of property, plant and equipment		**—**	(1,777)
Depreciation	7	**322,576**	324,967
Amortisation of intangible assets	8	**309,163**	378,680
Movement in grants		**(271,269)**	(84,783)
Share-based payments		**362,327**	295,223
Taxation received		**209,367**	—
Cash flow from operating activities		**1,453,676**	1,247,893
Investing activities			
Finance income		**16,225**	41,908
Purchase of property, plant and equipment	9	**(620,652)**	(701,565)
Purchase of intangible assets		**(1,418,536)**	(1,394,146)
Sale of property, plant and equipment		**—**	8,367
Net cash used in investing activities		**(2,022,963)**	(2,045,436)
Financing activities			
Finance costs		**(24,154)**	(21,793)
New finance leases		**104,566**	247,500
Loan repayments		**(120,353)**	(360,000)
Finance lease repayments		**(126,734)**	(89,976)
Net cash used in financing activities		**(166,675)**	(224,269)
Net decrease in cash and cash equivalents		**(735,962)**	(1,021,812)
Effects of exchange rate movements		**66,082**	(122,064)
Cash and cash equivalents at beginning of year		**1,972,137**	3,116,013
Cash and cash equivalents at end of year		**1,302,257**	1,972,137

Company Balance Sheet

as at 31 March 2016

	Note	2016 £	2015 £
ASSETS			
Non-current assets			
Investments	19	**12,193,076**	11,533,366
Intangibles	8	**1,531,786**	1,531,786
Deferred taxation		**—**	3,349
Total non-current assets		**13,724,862**	13,068,501
Current assets			
Trade and other receivables	11	**4,290,361**	4,441,098
Cash and cash equivalents		**597,557**	931,928
Total current assets		**4,887,918**	5,373,026
Total assets		**18,612,780**	18,441,527
EQUITY AND LIABILITIES			
Equity			
Issued capital		**17,717,191**	17,717,191
Retained earnings		**727,741**	416,171
Total equity		**18,444,932**	18,133,362
Liabilities			
Current liabilities			
Short-term borrowings	12	**—**	120,353
Trade and other payables	13	**167,848**	187,812
Total current liabilities		**167,848**	308,165
Total liabilities		**167,848**	308,165
Total equity and liabilities		**18,612,780**	18,441,527

David Evans
Non-executive Chairman
24 June 2016

Kieron Harbinson
Finance Director
24 June 2016

Omega Diagnostics Group PLC
Registered number: 5017761

Company Statement of Changes in Equity

for the year ended 31 March 2016

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2014	5,459,038	12,258,153	555,181	18,272,372
Loss for the year ended 31 March 2015	—	—	(434,233)	(434,233)
Total comprehensive income for the year	—	—	(434,233)	(434,233)
Share-based payments	—	—	295,223	295,223
Balance at 31 March 2015	5,459,038	12,258,153	416,171	18,133,362
Loss for the year ended 31 March 2016	—	—	(50,757)	(50,757)
Total comprehensive income for the year	—	—	(50,757)	(50,757)
Share-based payments	—	—	362,327	362,327
Balance at 31 March 2016	**5,459,038**	**12,258,153**	**727,741**	**18,444,932**

Company Cash Flow Statement

for the year ended 31 March 2016

	2016 £	2015 £
Cash flows generated from operations		
Loss for the year	**(50,757)**	(434,233)
Adjustments for:		
Taxation	**3,349**	122,263
Finance costs	**—**	8,827
Finance income	**(74,117)**	(102,911)
Operating loss before working capital movement	**(121,525)**	(406,054)
Decrease/(increase) in trade and other receivables	**150,737**	(334,060)
(Decrease)/increase in trade and other payables	**(19,964)**	9,853
Share-based payments	**362,327**	295,223
Net cash flow from operating activities	**371,575**	(435,038)
Investing activities		
Finance income	**74,117**	102,911
Investment in subsidiaries	**(659,710)**	(363,098)
Net cash used in investing activities	**(585,593)**	(260,187)
Financing activities		
Loan repayments	**(120,353)**	(360,000)
Net cash used in financing activities	**(120,353)**	(360,000)
Net decrease in cash and cash equivalents	**(334,371)**	(1,055,225)
Cash and cash equivalents at beginning of year	**931,928**	1,987,153
Cash and cash equivalents at end of year	**597,557**	931,928

1 Authorisation of financial statements

The financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 24 June 2016, and the balance sheets were signed on the Board's behalf by David Evans and Kieron Harbinson. Omega Diagnostics Group PLC is a public limited company incorporated in England. The Company's ordinary shares are traded on AIM.

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements. These financial statements are presented in sterling and have been prepared in accordance with IFRSs as adopted by the EU and applied in accordance with the provisions of the Companies Act 2006.

In relation to IFRS 8 – Operating Segments, the Group has identified the Executive Board as the chief operating decision maker with responsibility for decisions over the allocation of resources to operating segments and for the monitoring of their performance. The Group reports performance of the following three segments:

– Allergy and autoimmune;

– Food intolerance; and

– Infectious disease and Other.

Basis of consolidation

The Group financial statements consolidate the financial statements of Omega Diagnostics Group PLC and the entities it controls (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are based on consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

Intangible assets

Goodwill

Business combinations are accounted for under IFRS 3 using the acquisition method. Goodwill represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but is subject to an annual impairment review and whenever events or changes in circumstances indicate that the carrying value may be impaired a charge is made to the income statement. After initial recognition, goodwill is stated at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory Company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Other intangible assets

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition at fair value at the acquisition date, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over the expected useful lives, with charges included in administration costs, as follows:

Technology assets	–	5–20 years
Customer relationships	–	5–10 years
Supply agreements	–	5 years
Licences/software	–	5–20 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Research and development costs

Expenditure on research and initial feasibility work is written off through the income statement as incurred. Thereafter, expenditure on product development which meets certain criteria is capitalised and amortised over its useful life. The stage at which it is probable that the product will generate future economic benefits is when the following criteria have been met: technical feasibility; intention and ability to sell the product; availability of resources to complete the development of the product; and the ability to measure the expenditure attributable to the product. The useful life of the intangible asset is determined on a product-by-product basis, taking into consideration a number of factors. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 Accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets to their estimated residual values over their estimated useful lives on a straight line basis as follows:

Land and property	–	33 years, straight line with no residual value
Leasehold improvements	–	ten years, straight line with no residual value
Plant and machinery	–	three to ten years, straight line with no residual value
Motor vehicles	–	five years, straight line with no residual value

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives are reviewed annually and, where adjustments are required, these are made prospectively.

Impairment of assets

The Group and Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group and Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their net present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is defined as standard cost or purchase price and includes all direct costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred prior to completion and disposal.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at the lower of original invoice amount and recoverable amount. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable. Significant financial difficulty or significantly extended settlement periods are considered to be indicators of impairment. Normal average payment terms vary from payment in advance to 90 days. Balances are written off when the probability of recovery is assessed as remote.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Financial instruments

Under IAS 39, financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets are classified as either:

– financial assets at fair value through profit or loss; or

– loans and receivables.

Other financial liabilities

Other financial liabilities, whether used as part of the consideration for acquisitions which include deferred consideration or not, are designated by the Group as financial liabilities at fair value through profit and loss. They are measured at the present value of the consideration expected to be payable by discounting the expected future cash flows at prevailing interest rates. At initial recognition, the quantum of liability to be recognised will depend upon management's expectation, at that date, of the amount that would ultimately be payable. Where there is a change in the expectation of future cash flows or interest rates, the change is reflected through the income statement.

2 Accounting policies continued

Financial instruments continued

Other liabilities

Trade payables are not interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Bank borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. For long-term bank borrowings stated at amortised cost, transaction costs that are directly attributable to the borrowing instrument are recognised as an interest expense over the life of the instrument.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of the new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised.

Financial assets and liabilities that are held for trading and other assets and liabilities designated as such on inception are included at fair value through profit and loss. Financial assets and liabilities are classified as held for trading if they are acquired for sale in the short term. Assets are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Company's investments in subsidiaries

The Company recognises its investments in subsidiaries at cost. The carrying value of investments is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Presentation currency

The financial statements are presented in UK pounds sterling. Transactions in currencies other than sterling are recorded at the prevailing rate of exchange at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Foreign currencies

Non-monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in the net profit or loss for the year. The trading results of the overseas subsidiaries are translated at the average exchange rate ruling during the year, with the exchange difference between the average rates and the rates ruling at the balance sheet date being taken to reserves. Any difference arising on the translation of the opening net investment in the overseas subsidiaries and of applicable foreign currency loans are recognised in other comprehensive income and accumulated in the translation reserve.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and net of discounts and sales-related taxes. Sales of goods are recognised when the significant risks and rewards of ownership are transferred to the customer. This will be when goods have been dispatched and the collection of the related receivable is reasonably assured. Revenue relates to the sale of medical diagnostic kits.

Grants

Grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are credited to the income statement as and when the relevant expenditure is incurred.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their lease period and useful life. The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligation is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals applicable to operating leases, where substantially all the benefits and risks remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

Share-based payments

Equity-settled transactions

For equity-settled transactions, the Group measures the award by reference to the fair value at the date at which they are granted and it is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than conditions linked to the price of the shares of the Company (market conditions).

Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining grant date fair value. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above.

This includes any award where non-vesting conditions within the control of the Group or the employee are not met. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

2 Accounting policies continued

Share-based payments continued

Equity-settled transactions continued

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Pension contributions

Contributions to personal pension plans of employees on a defined contribution basis are charged to the income statement in the year in which they are payable.

The Group also operates two defined benefit plans in Germany, which are closed to new members. Obligations under defined benefit plans are measured at discounted present values by actuaries, while plan assets are recorded at fair value. The operating and financing costs of pensions are charged to the income statement in the period in which they arise and are recognised separately. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of comprehensive income.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

– where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

– deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax and deferred tax is charged or credited in other comprehensive income or directly to equity if it relates to items that are credited or charged in other comprehensive income or directly to equity. Otherwise, income tax and deferred tax are recognised in profit or loss.

Use of estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimation and uncertainty and critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the financial information are discussed overleaf. Further judgements, assumptions and estimates are set out in the Group financial statements.

Valuation of intangible assets

Management judgement is required to estimate the useful lives of intangible assets, having reference to future economic benefits expected to be derived from use of the asset. Economic benefits are based on the fair values of estimated future cash flows.

Impairment of goodwill

Goodwill is tested annually for impairment. The test considers future cash flow projections of cash-generating units that give rise to the goodwill. Where the discounted cash flows are less than the carrying value of goodwill, an impairment charge is recognised for the difference. Further analysis of the estimates and judgements is disclosed in Note 8.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies and having regard to their strategic planning processes when making these judgements. Prospective products undergo an internal screening process before significant resources are committed to development, increasing the chances of successful commercialisation and the ability to generate future profits. The balance at 31 March 2016, which will be offset against future profits expected to be generated from the prospects for Allersys®, Visitect® CD4, Allergodip® and anticipated output from the Pune facility in India, leads management to conclude to carry the deferred tax asset in full. The carrying value of the deferred tax asset at 31 March 2016 is £1,426,205 (2015: £1,530,777). Further details are contained in Note 14.

2 Accounting policies continued

Use of estimates and judgements continued

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations, which are considered relevant to the Group, with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRSs)	Effective date for periods commencing
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
Amendments to IAS 7 – Disclosure Initiative	1 January 2017*
IFRS 15 – Revenue from Contracts with Customers (including amendments)	1 January 2018*
IFRS 9 – Financial Instruments	1 January 2018*
IFRS 16 – Leases	1 January 2019*

* Not yet adopted for use in the European Union.

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The Directors anticipate that the adoption of these standards and interpretations will have a limited impact on the Group's financial statements in the period of initial application.

3 Adoption of new International Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year.

4 Segment information

For management purposes the Group is organised into three operating divisions: Allergy and autoimmune, Food intolerance, and Infectious disease and Other.

The Allergy and autoimmune division specialises in the research, development, production and marketing of in-vitro allergy and autoimmune tests used by doctors to diagnose patients with allergies and autoimmune diseases.

The Food intolerance division specialises in the research, development and production of kits to aid the detection of immune reactions to food. It also provides clinical analysis to the general public, clinics and health professionals as well as supplying the consumer Food Detective® test.

The Infectious disease division specialises in the research, development, production and marketing of kits to aid the diagnosis of infectious diseases.

Corporate consists of centralised corporate costs which are not allocated across the three business divisions.

Inter-segment transfers or transactions are entered into under the normal commercial conditions that would be available to unrelated third parties.

Business segment information

2016	Allergy and autoimmune £	Food intolerance £	Infectious disease/ Other £	Corporate £	Group £
Statutory presentation					
Revenue	3,254,725	8,681,553	2,698,113	—	14,634,391
Inter-segment revenue	(95,693)	(1,621,862)	(172,940)	—	(1,890,495)
Total revenue	3,159,032	7,059,691	2,525,173	—	12,743,896
Operating costs	(3,479,086)	(4,572,482)	(2,768,799)	(1,253,768)	(12,074,135)
Operating (loss)/profit	(320,054)	2,487,209	(243,626)	(1,253,768)	669,761
Net finance (costs)/income	(58,283)	(2,137)	(21,625)	74,116	(7,929)
(Loss)/profit before taxation	**(378,337)**	**2,485,072**	**(265,251)**	**(1,179,652)**	**661,832**
Adjusted (loss)/profit before taxation					
(Loss)/profit before taxation	(378,337)	2,485,072	(265,251)	(1,179,652)	661,832
IFRS-related discount charges	—	—	—	17,793	17,793
Amortisation of intangible assets	200,335	98,907	9,921	—	309,163
Share-based payment charges	—	—	—	362,327	362,327
Adjusted (loss)/profit before taxation	**(178,002)**	**2,583,979**	**(255,330)**	**(799,532)**	**1,351,115**

4 Segment information continued

Business segment information continued

2015	Allergy and autoimmune £	Food intolerance £	Infectious disease/ Other £	Corporate £	Group £
Statutory presentation					
Revenue	3,698,302	7,449,037	2,712,236	—	13,859,575
Inter-segment revenue	(84,478)	(1,502,610)	(167,168)	—	(1,754,256)
Total revenue	3,613,824	5,946,427	2,545,068	—	12,105,319
Operating costs	(3,851,938)	(3,873,796)	(2,812,507)	(894,108)	(11,432,349)
Operating (loss)/profit	(238,114)	2,072,631	(267,439)	(894,108)	672,970
Net finance (costs)/income	(61,172)	169	(21,794)	94,085	11,288
(Loss)/profit before taxation	(299,286)	2,072,800	(289,233)	(800,023)	684,258
Adjusted (loss)/profit before taxation					
(Loss)/profit before taxation	(299,286)	2,072,800	(289,233)	(800,023)	684,258
IFRS-related discount charges	—	—	—	14,941	14,941
Amortisation of intangible assets	261,171	98,901	18,608	—	378,680
Share-based payment charges	—	—	—	295,223	295,223
Adjusted (loss)/profit before taxation	(38,115)	2,171,701	(270,625)	(489,859)	1,373,102

The segment assets and liabilities are as follows:

2016	Allergy and autoimmune £	Food intolerance £	Infectious disease/ Other £	Corporate £	Group £
Segment assets	9,914,928	6,548,151	4,573,779	11,742	21,048,600
Unallocated assets	—	—	—	—	2,728,462
Total assets	**9,914,928**	**6,548,151**	**4,573,779**	**11,742**	**23,777,062**
Segment liabilities	255,625	583,732	634,423	167,848	1,641,628
Unallocated liabilities	—	—	—	—	1,948,257
Total liabilities	**255,625**	**583,732**	**634,423**	**167,848**	**3,589,885**

2015	Allergy and autoimmune £	Food intolerance £	Infectious disease/ Other £	Corporate £	Group £
Segment assets	9,074,314	6,205,627	3,840,498	15,463	19,135,902
Unallocated assets	—	—	—	—	3,502,914
Total assets	9,074,314	6,205,627	3,840,498	15,463	22,638,816
Segment liabilities	433,446	558,426	862,075	152,288	2,006,235
Unallocated liabilities	—	—	—	—	1,819,431
Total liabilities	433,446	558,426	862,075	152,288	3,825,666

Unallocated assets comprise cash, income tax receivable, deferred taxation and derivative financial instruments. Unallocated liabilities comprise interest-bearing loans, borrowings, other financial liabilities, derivative financial instruments, deferred taxation and income tax payable.

Information about major customers

No single customer accounts for 10% or more of Group revenues.

4 Segment information continued

Geographical information

The Group's geographical information is based on the location of its markets and customers. Sales to external customers disclosed in the geographical information are based on the geographical location of its customers. The analysis of segment assets and capital expenditure is based on the geographical location of the assets.

	2016 £	2015 £
Revenues		
UK	**939,635**	979,964
Germany	**2,667,102**	3,074,157
Rest of Europe	**3,513,511**	3,381,582
North America	**1,098,320**	515,963
South/Central America	**874,151**	904,276
India	**548,837**	480,138
Asia and Far East	**1,480,638**	1,439,271
Africa and Middle East	**1,621,702**	1,329,968
	12,743,896	12,105,319

2016	Intangibles £	Property, plant and equipment £	Retirement benefit surplus £	Inventories £	Trade and other receivables £	Total £
Assets						
UK	**11,276,612**	**1,533,967**	**—**	**1,278,959**	**2,353,170**	**16,442,708**
Germany	**2,180,987**	**767,738**	**44,759**	**652,105**	**270,544**	**3,916,133**
India	**4,756**	**390,017**	**—**	**80,431**	**214,555**	**689,759**
Unallocated assets	**—**	**—**	**—**	**—**	**—**	**2,728,462**
Total assets	**13,462,355**	**2,691,722**	**44,759**	**2,011,495**	**2,838,269**	**23,777,062**

2015	Intangibles £	Property, plant and equipment £	Retirement benefit surplus £	Inventories £	Trade and other receivables £	Total £
Assets						
UK	9,965,739	1,539,531	—	1,373,913	2,058,699	14,937,882
Germany	2,135,073	792,576	—	614,069	328,075	3,869,793
India	3,911	97,126	—	74,113	153,077	328,227
Unallocated assets	—	—	—	—	—	3,502,914
Total assets	12,104,723	2,429,233	—	2,062,095	2,539,851	22,638,816

	2016 £	2015 £
Liabilities		
UK	**1,320,827**	1,762,243
Germany	**186,412**	159,255
India	**134,389**	84,737
Unallocated liabilities	**1,948,257**	1,819,431
Total liabilities	**3,589,885**	3,825,666
Capital expenditure		
UK	**297,416**	537,071
Germany	**26,289**	78,125
India	**296,947**	86,369
Total capital expenditure	**620,652**	701,565

5 Finance costs

Consolidated	2016 £	2015 £
Interest payable on loans and bank overdrafts	**3,104**	4,708
Unwinding of discounts	**—**	7,792
Finance leases	**21,050**	18,120
	24,154	30,620

6 Taxation

Consolidated	2016 £	2015 £
(a) Tax (charged)/credited in the income statement		
Current tax – current year	**—**	—
Current tax – prior year adjustment	**209,368**	—
Deferred tax – current year	**132,794**	62,161
Deferred tax – prior year adjustment	**(432,082)**	(7,373)
	(89,920)	54,788
(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax on actuarial (gain)/loss on retirement benefit obligations	**(47,533)**	58,228
Deferred tax on net exchange adjustments	**(29,098)**	56,068
Total tax (charge)/credit	**(76,631)**	114,296

Consolidated	2016 £	2015 £
(c) Reconciliation of total tax credit		
Factors affecting the tax charge/(credit) for the year:		
Profit before tax	**661,832**	684,258
Effective rate of taxation	**20%**	21%
Profit before tax multiplied by the effective rate of tax	**132,366**	143,694
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**76,734**	65,054
Research and development and deferred tax credits	**(250,622)**	(362,447)
Movement on deferred tax arising from share-based payments	**—**	125,613
Tax repayment on surrender of tax losses in prior year at 14.5%	**(209,368)**	—
Tax losses surrendered in prior year at 20%	**288,783**	—
Tax underprovided in prior years	**143,299**	7,373
Adjustment due to different overseas tax rate	**(59,975)**	(29,449)
Impact of UK rate change on deferred tax	**(31,297)**	(4,626)
Tax charge/(credit) for the year	**89,920**	(54,788)

The reduction in the rate of corporation tax from 21% to 20%, effective from 1 April 2015, was provided for in the Finance Act 2014, which was enacted on 17 July 2014. Finance Act 2015, which was given royal assent on 26 March 2015, provided that the tax rate would reduce further to 19% on 1 April 2017, and 18% on 1 April 2020. The deferred tax balances as at 31 March 2016 have been recognised at a rate of 19% as this is the rate at which the majority of the timing differences are expected to reverse.

It should be noted that a further reduction in the tax rate to 17%, effective from 1 April 2020, was announced in the Budget in March 2016; however, this change had not been substantively enacted by the balance sheet date, therefore this is a non-adjusting event. As the timing differences are expected to materially reverse in advance of 1 April 2020, this further reduction should have no material impact on the accounts.

7 Revenue and expenses

Consolidated	2016 £	2015 £
Revenue and other income		
Revenue – sales of goods	**12,743,896**	12,105,319
Other income	**272,769**	173,069
Finance income	**16,225**	41,908
Total revenue and other income	**13,032,890**	12,320,296

Other income is explained in the Financial Review.

Consolidated	2016 £	2015 £
Operating profit is stated after charging/(crediting):		
Material costs	**3,359,723**	3,282,791
Depreciation	**415,119**	444,048
Capitalised depreciation	**(92,543)**	(119,081)
Amortisation of intangibles	**309,163**	378,680
Net foreign exchange gains	**(6,481)**	(5,803)
Grant income	**272,769**	126,283
Research costs	**258,306**	307,149
Operating lease rentals	**277,623**	260,501
Share-based payments	**362,327**	295,223
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the annual accounts:	**20,000**	20,000
Local statutory audit of subsidiaries	**53,000**	50,000
Local statutory audit of the parent Company	**5,000**	5,000
Fees payable to the Company's auditors for other services:		
Taxation compliance	**12,500**	12,500
Taxation advisory	**5,000**	2,000

All research costs noted above were charged directly to administration costs in the income statement.

Staff costs

The average monthly number of employees (including Directors) was:

Consolidated	2016 number	2015 number
Operations	**100**	87
Management and administration	**57**	59
Employee numbers	**157**	146

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	**4,775,216**	4,059,395
Social security costs	**586,317**	506,435
Pension costs	**227,281**	173,807
Share-based payments	**362,327**	295,223
	5,951,141	5,034,860

Equity-settled share-based payments

Consolidated and Company

The share-based payment plans are described below.

EMI Option Scheme and Unapproved Option Scheme

The plans are equity-settled plans and the fair value is measured at the grant date. Under the above plans, share options are granted to Directors and employees of the Company. The exercise price of the option is equal to the market price of the shares on the date of grant. The options vest one year after the date of grant and do not require to be the subject of any performance criteria. The scheme rules allow for performance criteria to be applied in appropriate cases.

The fair value of the options is estimated at the grant date using the Black-Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted.

The contractual life of each option granted is ten years and there is no cash settlement alternative.

7 Revenue and expenses continued

Equity-settled share-based payments continued

Consolidated and Company continued

Second Unapproved Option Scheme (SUOS)

The plan is an equity-settled plan and the fair value is measured at the grant date. Under the above plan, share options may be granted to third parties for provision of services to the Company. The exercise price of the option is equal to the market price of the shares on the date of grant. The options vest three years after the date of grant and are not subject to any performance criteria.

The fair value of the options is estimated at the grant date using the Black-Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted.

The contractual life of each option granted is ten years and there is no cash settlement alternative.

Third Unapproved Option Scheme (TUOS)

The plan is an equity-settled plan and the fair value is measured at the grant date. Under the above plan, share options may be granted to Directors of the Company. The exercise price of the option is equal to the market price of the shares on the date of grant. The options vest three years after the date of grant and are subject to performance criteria.

The fair value of the options is estimated at the grant date using the Black-Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted.

The contractual life of each option granted is ten years and there is no cash settlement alternative.

Under the EMI Option Scheme no options lapsed during the year and a further 1,985,000 were granted. Under the TUOS during the year no options were granted.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2016 number	2016 WAEP	2015 number	2015 WAEP
Outstanding 1 April	**8,998,695**	**20.96p**	8,978,695	20.96p
Granted during the year under the EMI Option Scheme	**1,985,000**	**16p**	20,000	18.5p
Granted during the year under the TUOS	**—**	**—**	—	—
Exercised during the year	**—**	**—**	—	—
Lapsed during the year under the EMI Option Scheme	**—**	**—**	—	—
Outstanding at 31 March 2016	**10,983,695**	**20p**	8,998,695	—
Exercisable at 31 March 2016	**3,753,289**	**—**	2,633,289	—

The following table lists the inputs to the model used for the years ended 31 March 2016 and 31 March 2015:

	EMI Option Scheme and Unapproved Option Schemes	
	2016	2015
Dividend yield	**—**	—
Expected volatility	**64%**	41%
Risk-free interest rate	**5%**	5%
Weighted average remaining contractual life	**6.3**	6.7
Weighted average share price	**16p**	18.5p
Exercise price	**16p**	18.5p
Model used	**Black-Scholes**	Black-Scholes

The expected life of the options is based on management's assumption of the options' life due to the lack of any historical data on the exercise period of these options. The assumption takes into account the experience of employees and Directors and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that historical volatility over a period similar to the life of the option is indicative of future trends, which may not necessarily be the actual outcome.

Directors' remuneration

Consolidated	2016 £	2015 £
Fees	**65,000**	65,000
Emoluments	**585,925**	371,789
	650,925	436,789
Contributions to personal pension	**28,084**	18,500
	679,009	455,289
Members of a defined contribution pension scheme at the year end	**4**	3

Information in respect of individual Directors' emoluments is provided in the Directors' Remuneration Report on pages 26 and 27.

8 Intangibles

	Goodwill £	Licences/ software £	Supply arrangements £	Technology assets £	Customer relationships £	Development costs £	Total £
Cost							
At 31 March 2014	4,657,522	1,716,402	515,831	2,144,804	1,206,886	2,693,193	12,934,638
Additions	—	12,715	—	—	—	—	12,715
Additions internally generated	—	—	—	—	—	1,500,512	1,500,512
Currency translation	(150,470)	(18,034)	(59,356)	(19,539)	(127,369)	(38,250)	(413,018)
At 31 March 2015	4,507,052	1,711,083	456,475	2,125,265	1,079,517	4,155,455	14,034,847
Additions	—	26,034	—	—	—	—	26,034
Additions internally generated	—	—	—	—	—	1,485,048	1,485,048
Currency translation	93,108	11,423	36,729	12,090	78,817	26,794	258,961
At 31 March 2016	**4,600,160**	**1,748,540**	**493,204**	**2,137,355**	**1,158,334**	**5,667,297**	**15,804,890**
Accumulated amortisation							
At 31 March 2014	—	134,236	335,291	755,430	450,466	—	1,675,423
Amortisation charge in the year	—	35,999	98,001	129,535	115,145	—	378,680
Currency translation	—	(15,793)	(45,288)	(14,226)	(48,672)	—	(123,979)
At 31 March 2015	—	154,442	388,004	870,739	516,939	—	1,930,124
Amortisation charge in the year	—	24,010	67,291	119,887	97,975	—	309,163
Currency translation	—	12,029	37,909	11,908	41,402	—	103,248
At 31 March 2016	**—**	**190,481**	**493,204**	**1,002,534**	**656,316**	**—**	**2,342,535**
Net book value 31 March 2016	**4,600,160**	**1,558,059**	**—**	**1,134,821**	**502,018**	**5,667,297**	**13,462,355**
31 March 2015	4,507,052	1,556,641	68,471	1,254,526	562,578	4,155,455	12,104,723
31 March 2014	4,657,522	1,582,166	180,540	1,389,374	756,420	2,693,193	11,259,215

Of the development costs balance above of £5,667,297 (2015: £4,155,455), costs of £1,597,368 (2015: £1,110,537) relate to the Visitect® CD4 project, costs of £3,995,021 (2015: £3,044,918) relate to the Allersys® project and costs of £74,908 (2015: £Nil) relate to the Allergodip® project.

Of the licences/software balance above, £1,531,786 (2015: £1,531,786) is held on the balance sheet of the Company and relates to the IDS and CD4 licences.

£92,546 of the additions internally generated in the year relates to capitalised depreciation on assets utilised for development activities.

Impairment testing of goodwill and intangibles

The Group tests goodwill annually for impairment or more frequently if there are indicators of impairment. The carrying amount of goodwill is indicated in the table above. The net book value of goodwill above for Genesis-CNS amounts to £3,016,892 (2015: £3,016,892), for Co-Tek amounts to £332,986 (2015: £332,986) and Omega Diagnostics GmbH £1,250,282 (2015: £1,157,174).

The recoverable amount of Genesis-CNS and Co-Tek has been determined based on a value in use calculation using cash flow projections based on the actual results for the year ended 31 March 2016 and the financial budget approved by the Board covering the period to 31 March 2017, with projected cash flows thereafter through to March 2021 based on a growth rate of 3% per annum.

The key assumptions used in the budget for Genesis-CNS are the sales projections which are predicated on the continued success of Genarrayt® and Food Detective®. The key assumption used in the budget for Co-Tek is the growth in sales of the Company's Micropath™ range of products.

The recoverable amount of Omega Diagnostics GmbH has been determined based on a value in use calculation using cash flow projections based on the actual results for the year ended 31 March 2016 and the financial budget approved by the Board covering the period to 31 March 2019, with projected cash flows thereafter through to March 2021 based on a growth rate of 3% per annum.

The budget for Omega Diagnostics GmbH assumes continued sales in the German market and increasing export sales from an extension to the allergens on the Allergodip® test.

Given the level of the development spend detailed in Note 8 a value in use calculation has been prepared to support both the Visitect® CD4 and Allersys® project costs. The recoverable amount for Visitect® CD4 has been determined based on projections through to March 2021 assuming an increased number of unit sales each year as the product achieves market acceptance. The projections used assume that management will overcome the technical challenges and bring the product to market. The Visitect® CD4 test represents a unique opportunity to meet a large unmet global health need. The outcome to the development project is likely to lead to a recoverable amount which is either significantly higher or significantly lower than the current carrying amount of the asset, depending on the respective success or otherwise of the development programme.

8 Intangibles continued

Impairment testing of goodwill and intangibles continued

The recoverable amount for the Allersys® project has been determined based on projections through to March 2021 as well as the inclusion of a terminal value, again assuming an increasing number of tests sold each year as the product increases market acceptance and penetration.

In all cases, the Company also makes assumptions in regard to having sufficient production personnel to cope with increased volumes. The discount rate applied to cash flows is 12.94% for the Group, which takes account of other risks specific to each segment such as currency risk, geography and price risk. The discount rate is the weighted average cost of the pre-tax cost of debt financing and the pre-tax cost of equity financing. As a result, there has been no impairment to the carrying value of goodwill or intangibles.

Sensitivity analysis

The Group has conducted a sensitivity analysis on each of the impairment tests. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause any of the carrying amounts to exceed the relevant recoverable amount.

9 Property, plant and equipment

Consolidated	Land and property £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 31 March 2014	679,795	257,572	3,132,210	48,636	4,118,213
Additions	—	144,651	556,914	—	701,565
Disposals	—	—	(4,480)	(38,307)	(42,787)
Currency translation	(78,223)	(234)	(78,425)	(2,693)	(159,575)
At 31 March 2015	601,572	401,989	3,606,219	7,636	4,617,416
Additions	—	396,107	224,545	—	620,652
Disposals	—	(9,186)	—	—	(9,186)
Currency translation	48,403	10,310	53,225	615	112,553
At 31 March 2016	**649,975**	**799,220**	**3,883,989**	**8,251**	**5,341,435**
Accumulated depreciation					
At 31 March 2014	60,382	166,338	1,571,799	35,783	1,834,302
Charge in the year	17,670	17,431	402,517	6,430	444,048
Disposals	—	—	(1,558)	(34,641)	(36,199)
Currency translation	(8,157)	(223)	(43,662)	(1,926)	(53,968)
At 31 March 2015	69,895	183,546	1,929,096	5,646	2,188,183
Charge in the year	16,466	24,020	372,643	1,990	415,119
Disposals	—	—	—	—	—
Currency translation	6,944	269	38,583	615	46,411
At 31 March 2016	**93,305**	**207,835**	**2,340,322**	**8,251**	**2,649,713**
Net book value 31 March 2016	**556,670**	**591,385**	**1,543,667**	**—**	**2,691,722**
31 March 2015	531,677	218,443	1,677,123	1,990	2,429,233
31 March 2014	619,413	91,234	1,560,411	12,853	2,283,911

£92,543 (2015: £119,081) of the annual depreciation charge relates to assets utilised for development activities; therefore, this depreciation has been capitalised and included within intangible assets.

The net book value of plant and machinery held under finance leases at 31 March 2016 is £569,886 (2015: £519,977).

10 Inventories

	2016 £	2015 £
Raw materials	**1,314,167**	1,425,835
Work in progress	**186,850**	161,267
Finished goods and goods for resale	**510,478**	474,993
	2,011,495	2,062,095

11 Trade and other receivables

Consolidated	2016 £	2015 £
Trade receivables	**2,436,065**	2,251,544
Less provision for impairment of receivables	**(14,117)**	(14,117)
Trade receivables – net	**2,421,948**	2,237,427
Prepayments and other receivables	**416,321**	302,424
	2,838,269	2,539,851

The Directors consider that the carrying amount of trade receivables and other receivables approximates their fair value.

Company	2016 £	2015 £
Prepayments and other receivables	**11,742**	15,463
Due from subsidiary companies	**4,278,619**	4,425,635
	4,290,361	4,441,098

Analysis of trade receivables

Consolidated	2016 £	2015 £
Neither impaired nor past due	**2,224,198**	1,977,803
Past due but not impaired	**197,750**	259,624

Company	2016 £	2015 £
Neither impaired nor past due	**4,278,619**	4,425,635

Ageing of past due but not impaired trade receivables

	2016 £	2015 £
Up to three months	**185,574**	231,404
Between three and six months	**10,340**	20,234
More than six months	**1,836**	7,986

The Directors consider that the carrying amount of trade receivables and other receivables approximates their fair value.

The credit quality of trade receivables that are neither past due nor impaired is assessed internally with reference to historical information relating to counterparty default rates. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable and no collateral is held as security.

12 Interest-bearing loans and borrowings and financial instruments

Consolidated	2016 £	2015 £
Current		
Other loans	**—**	120,353
Obligations under finance leases	**127,783**	117,419
	127,783	237,772
Non-current		
Obligations under finance leases	**282,914**	315,446
	282,914	315,446

The Directors consider that the carrying amount of other loans and finance obligations approximates their fair values.

12 Interest-bearing loans and borrowings and financial instruments continued

The Group uses finance leases and hire purchase contracts to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum payments under finance leases and hire purchase contracts are as follows:

	2016 £	2015 £
Future minimum payments due:		
Not later than one year	**144,548**	135,940
After one year but not more than five years	**300,440**	338,769
	444,988	474,709
Less finance charges allocated to future periods	**34,291**	41,844
Present value of minimum lease payments	**410,697**	432,865
The present value of minimum lease payments is analysed as follows:		
Not later than one year	**127,783**	117,419
After one year but not more than five years	**282,914**	315,446
	410,697	432,865

Consolidated	2016 £	2015 £
Other loans comprise the following:		
Vendor loan – 2015 (base rate)	**—**	120,353

Company	2016 £	2015 £
Current		
Other loans	**—**	120,353

Company	2016 £	2015 £
Other loans comprise the following:		
Vendor loan – 2016 (base rate)	**—**	120,353

13 Trade and other payables

Consolidated	2016 £	2015 £
Trade payables	**1,070,258**	1,106,328
Social security costs	**193,780**	118,751
Accruals and other payables	**377,590**	316,980
	1,641,628	1,542,059

In the prior year UNITAID and Scottish Enterprise grant funding totalling £271,269 was included as deferred income on the consolidated balance sheet.

Trade payables and other payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value.

Company	2016 £	2015 £
Trade payables	**46,738**	40,090
Accruals and other payables	**121,110**	112,199
Due to subsidiary companies	**—**	35,523
	167,848	187,812

Trade payables and other payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value.

14 Deferred taxation

The deferred tax asset is made up as follows:

Consolidated	2016 £	2015 £
Decelerated capital allowances	—	1,004
Temporary differences	50,211	29,439
Tax losses carried forward	1,375,994	1,500,334
	1,426,205	1,530,777

A deferred tax asset has been recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The deferred tax liability is made up as follows:

Consolidated	2016 £	2015 £
Fair value adjustments on acquisition	278,451	264,803
Accelerated capital allowances	189,099	186,829
Other timing differences	1,070,010	814,581
	1,537,560	1,266,213

15 Share capital

Company	2016 number	2015 number
Authorised share capital		
Ordinary shares of 4.0 pence each	184,769,736	184,769,736
Deferred shares of 0.9 pence each	123,245,615	123,245,615
Issued and fully paid ordinary share capital		
At the beginning and end of the year	108,745,669	108,745,669

During the year ended 31 March 2016, the Company granted options over 1,985,000 ordinary shares at an average exercise price of 16 pence per share. The options will expire if not exercised within ten years of the date of grant.

16 Commitments and contingencies

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

Consolidated	2016 £	2015 £
Land and buildings		
Within one year	425,190	369,409
Within two to five years	929,658	1,046,883
After five years	21,727	125,997
Other		
Within one year	61,285	59,194
Within two to five years	112,080	136,478
After five years	—	—

Land and buildings leases in force for Omega Diagnostics Limited premises extend to 30 June 2021. The land and buildings leases in force for the premises of Genesis Diagnostics Limited and Cambridge Nutritional Sciences extend to March 2017. The land and buildings leases in force for the Omega Dx (Asia) facility in Pune extend to May 2019.

Other leases are in force for office equipment items and extend to time periods ranging from April 2016 to October 2019. The leases may be extended at the expiry of their term.

Performance bonds

The Group has performance bonds and guarantees in place amounting to £235,306 at 31 March 2016 (2015: £238,116).

17 Related party transactions

Remuneration of key personnel

The remuneration of the key management personnel of Omega Diagnostics Group PLC is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosures:

	2016 £	2015 £
Short-term employee benefits	**1,187,677**	947,833
Share-based payments	**280,797**	276,429
Post-employment benefits	**51,952**	41,032
	1,520,426	1,265,294

Included within short-term employee benefits are amounts paid to MBA Consultancy of £25,000 (2015: £25,000), a company controlled by David Evans, and £40,000 (2015: £40,000) paid to Third Day Advisors, a company controlled by William Rhodes.

Other related party transactions

During the year there have been transactions between the parent Company, Omega Diagnostics Limited (ODL), Genesis Diagnostics Limited (Genesis), Cambridge Nutritional Sciences (CNS), Co-Tek (South West) Limited (Co-Tek), Omega Diagnostics GmbH and Omega Dx (Asia) largely relating to payment of management fees. The amounts outstanding at the year end are as follows:

At 31 March 2016	ODG £	ODL £	Genesis £	CNS £	Co-Tek £	GmbH £	Dx (Asia) £
Omega Diagnostics Group PLC	**—**	**(923,484)**	**(1,177,136)**	**(142,748)**	**—**	**(2,035,251)**	**—**
Omega Diagnostics Limited	**923,484**	**—**	**2,055,523**	**2,828,184**	**28,891**	**—**	**(29,214)**
Genesis Diagnostics Limited	**1,177,136**	**(2,055,523)**	**—**	**(393,419)**	**(100,171)**	**(7,244)**	**(39,066)**
Cambridge Nutritional Sciences Limited	**142,748**	**(2,828,184)**	**393,419**	**—**	**(180,000)**	**—**	**(1,357)**
Co-Tek (South West) Limited	**—**	**(28,891)**	**100,171**	**180,000**	**—**	**—**	**—**
Omega Diagnostics GmbH	**2,035,251**	**—**	**7,244**	**—**	**—**	**—**	**786**
Omega Dx (Asia)	**—**	**29,214**	**39,066**	**1,357**	**—**	**(786)**	**—**

At 31 March 2015	ODG £	ODL £	Genesis £	CNS £	Co-Tek £	GmbH £	Dx (Asia) £
Omega Diagnostics Group PLC	—	(2,203,460)	(332,792)	35,523	—	(1,889,383)	—
Omega Diagnostics Limited	2,203,460	—	889,585	1,504,269	2,415	6,876	(75,098)
Genesis Diagnostics Limited	332,792	(889,585)	—	(346,640)	(71,810)	—	(49,409)
Cambridge Nutritional Sciences Limited	(35,523)	(1,504,269)	346,640	—	(120,000)	—	(9,975)
Co-Tek (South West) Limited	—	(2,415)	71,810	120,000	—	—	—
Omega Diagnostics GmbH	1,889,383	(6,876)	—	—	—	—	(5,563)
Omega Dx (Asia)	—	75,098	49,409	9,975	—	5,563	—

During the year there were transactions between the Company and its subsidiaries as follows:

	2016 £	2015 £
Balance at 1 April 2015	**4,390,114**	4,083,768
Charges to subsidiary companies	**968,959**	747,895
Transfers of cash from subsidiary companies	**(1,080,454)**	(441,549)
Balance at 31 March 2016	**4,278,619**	4,390,114

18 Retirement benefit obligations

The Group operates pension schemes for the benefit of its UK and overseas employees.

Details of the defined contribution schemes for the Group's employees are given below in Note (a). Details of the defined benefit schemes for the Group's German employees and details relating to these schemes are given below in Note (b). During the year the Group accounted for these pension schemes under IAS 19 – Employee Benefits.

(a) Defined contribution schemes

The Group makes contributions to personal plans of employees on a defined contribution basis. The Group does not have ownership of the schemes, with individual plans being arrangements between the employee and pension provider. For new hires in Germany, after 1 January 2011, the support fund (LV 1871 Unterstützungskasse e.V.) is the defined contribution scheme used. The total Group contributions for the year amounted to £114,827 (2015: £66,733).

18 Retirement benefit obligations continued

(b) Defined benefit schemes

The Deutscher Pensionsfonds AG and the LV 1871 Unterstützungskasse e.V. schemes give the rights to defined future benefits. Of these benefits the past service component is based on years of service and salary as of 1 January 2011 and is provided by the Deutscher Pensionsfonds AG. The remaining benefits based on years of service after 1 January 2011 as well as salary increases are provided by the LV 1871 Unterstützungskasse e.V. scheme. These are mainly dependent on the number of earning years and salary level at pension age. The commitments are covered through an insurance company and are compliant with the requirements of German insurance laws. Pension costs relating to each scheme operating in Germany are charged in accordance with IAS 19 – Employee Benefits. Formal valuations of each scheme have been carried out by Towers Watson (Reutlingen) GmbH, who are independent, professionally qualified actuaries, on 29 April 2016 using the following assumptions:

	2016	2015
Discount rate	**1.50%**	1.50%
Future salary increases	**2.50%**	2.50%
Future pension increases	**1.75%**	1.75%
Price inflation	**1.75%**	1.75%

(i) The amounts recognised in the balance sheet are as follows:

	2016 £	2015 £
Defined benefit obligation	**2,152,951**	2,194,832
Fair value of plan assets	**2,197,710**	2,001,925
Net asset/(liability)	**44,759**	(192,907)

(ii) The amounts charged/(credited) to operating profit:

	2016 £	2015 £
Current service costs	**123,105**	105,492
Interest cost on the defined benefit obligation	**35,225**	50,895
Interest income on plan assets	**(32,953)**	(53,454)
Total included in employee benefits expense	**125,377**	102,933

The current service costs for the year, £123,105 (2015: £105,492), have been included in administration costs.

(iii) The amounts recognised in the consolidated statement of comprehensive income:

	2016 £	2015 £
Actuarial gain/(loss) arising during the period	**351,581**	(547,241)
Return on plan assets	**(96,122)**	277,113
Total actuarial gain/(loss) on pensions	**255,459**	(270,128)

(iv) Changes in the defined obligation during the year:

	2016 £	2015 £
Opening defined benefit obligation	**2,194,832**	1,695,381
Current service cost	**123,105**	105,492
Interest cost	**35,225**	50,895
Actuarial (gain)/loss due to:		
Changes in demographic assumptions	**(127,780)**	(111,691)
Changes in financial assumptions	**(223,801)**	658,932
Exchange differences on foreign plans	**176,598**	(195,088)
Benefits paid	**(25,228)**	(9,089)
Closing defined benefit obligation	**2,152,951**	2,194,832

The weighted average duration of the defined benefit obligation is 19.6 years.

18 Retirement benefit obligations continued

(b) Defined benefit schemes continued

(v) Changes in plan assets during the year:

	2016 £	2015 £
Opening fair value of plan assets	**2,001,925**	1,779,751
Interest income	**32,953**	53,454
Return on plan assets	**(96,122)**	277,113
Contributions by employer	**123,105**	105,492
Exchange differences on foreign plans	**161,077**	(204,796)
Benefits paid	**(25,228)**	(9,089)
Closing fair value of plan assets	**2,197,710**	2,001,925

Fair value of plan assets:

	2016			2015		
	Quoted £	Unquoted £	Total £	Quoted £	Unquoted £	Total £
Equities	**352,232**	**—**	**352,232**	400,385	—	400,385
Bonds/debt instruments	**1,248,823**	**—**	**1,248,823**	820,070	441,143	1,261,213
Cash/other	**596,655**	**—**	**596,655**	340,327	—	340,327
Total value of plan assets	**2,197,710**	**—**	**2,197,710**	1,560,782	441,143	2,001,925

(vi) The major categories of plan assets as a percentage of total plan assets:

	2016	2015
Equities	**16%**	20%
Bonds/debt instruments	**57%**	63%
Cash/other	**27%**	17%

The asset figures above are now weighted with the underlying assets.

The Group expects to contribute £125,000 to its defined benefit pension plans in the year ending 31 March 2017.

(vii) Mortality assumptions

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in Germany. In the calculations, the mortality rate used is in accordance with Heubeck Richttafeln's basis of calculation for group pension insurance, 2005G. Other assumptions have been set in accordance with Heubeck Richttafeln's basis of calculation for group pension insurance, as set out in schedule 2005G.

(viii) Sensitivity analysis

Changes in assumptions compared with March 2016 actuarial assumptions:

	Effect on defined benefit obligation 2016 £	Effect on defined benefit obligation 2015 £
Discount rate		
Increase by 1%	**(365,948)**	(388,725)
Decrease by 1%	**481,509**	516,936
Inflation rate		
Increase by 0.5%	**205,067**	217,590
Decrease by 0.5%	**(240,579)**	(249,916)
Salary increase		
Increase by 0.5%	**47,401**	49,176
Decrease by 0.5%	**(107,891)**	(108,435)

19 Investments

Company

The Company's investments in subsidiaries, which are all 100% owned, are comprised of the following:

	Country of incorporation	2016 £	2015 £
Investment in Omega Diagnostics Limited	UK	**1,752,884**	1,752,884
Investment in Genesis Diagnostics Limited	UK	**1,845,066**	1,845,066
Investment in Cambridge Nutritional Sciences Limited	UK	**4,034,110**	4,034,110
Investment in Co-Tek (South West) Limited	UK	**480,978**	480,978
Investment in Bealaw (692) Limited	UK	**1**	1
Investment in Bealaw (693) Limited	UK	**1**	1
Investment in Omega Diagnostics GmbH	Germany	**2,542,321**	2,542,321
Investment in Omega Dx (Asia)	India	**1,537,715**	878,005
		12,193,076	11,533,366

The further investment in the year relates to continued funding of Omega Dx (Asia).

Bealaw (692) Limited and Bealaw (693) Limited are both dormant companies that have never traded.

Co-Tek (South West) Limited is exempt from audit under section 479A of the Companies Act 2006.

20 Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Diluting events are excluded from the calculation when the average market price of ordinary shares is lower than the exercise price.

	2016 £	2015 £
Profit attributable to equity holders of the Group	**571,912**	739,046

	2016 number	2015 number
Basic average number of shares	**108,745,669**	108,745,669
Share options	**780,017**	821,093
Diluted weighted average number of shares	**109,525,686**	109,566,762

Adjusted earnings per share on profit for the year

The Group presents adjusted earnings per share, which are calculated by taking adjusted profit before taxation and adding the tax credit or deducting the tax charge in order to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

	2016 £	2015 £
Adjusted profit before taxation	**1,351,115**	1,373,102
Tax (charge)/credit	**(89,920)**	54,788
Adjusted profit attributable to equity holders of the Group	**1,261,195**	1,427,890

21 Financial instruments

The Group's principal financial instruments comprise loans, finance leases, financial derivatives and cash. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group has other financial instruments, such as trade receivables and trade payables, which arise directly from its operations. The categories of financial instruments are summarised in the following tables:

Assets as per the consolidated balance sheet	Loans and receivables £	Total £
2016		
Trade receivables	2,421,948	2,421,948
Cash and cash equivalents	1,302,257	1,302,257
	3,724,205	**3,724,205**

21 Financial instruments continued

Assets as per the consolidated balance sheet	Loans and receivables £	Total £
2015		
Trade receivables	2,237,427	2,237,427
Cash and cash equivalents	1,972,137	1,972,137
	4,209,564	4,209,564

Assets as per the Company balance sheet	Loans and receivables £	Total £
2016		
Due from subsidiary companies	4,278,619	4,278,619
Cash and cash equivalents	597,557	597,557
	4,876,176	**4,876,176**

Assets as per the Company balance sheet	Loans and receivables £	Total £
2015		
Due from subsidiary companies	4,425,635	4,425,635
Cash and cash equivalents	931,928	931,928
	5,357,563	5,357,563

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2016			
Trade payables	—	1,070,258	1,070,258
Obligations under finance leases	—	410,697	410,697
	—	**1,480,955**	**1,480,955**

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2015			
Trade payables	—	1,106,328	1,106,328
Obligations under finance leases	—	432,865	432,865
Other loans (designated on initial recognition)	120,353	—	120,353
	120,353	1,539,193	1,659,546

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2016			
Trade payables and amounts due to subsidiary companies	**—**	**46,738**	**46,738**

21 Financial instruments continued

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2015			
Trade payables and amounts due to subsidiary companies	—	75,613	75,613
Other loans (designated upon initial recognition)	120,353	—	120,353
	120,353	75,613	195,966

In the prior year, within other loans designated at fair value through profit and loss was the vendor loan note of £1.1 million, which was issued in September 2007. It carried a coupon of base rate only and was repayable in three equal instalments of £360,000 in September 2012, 2013 and 2014 and a final capital payment of £20,000 in September 2015. The interest was rolled up and repayable with the final capital payment. The fair value was calculated as the future cash flows expected to result based on current estimates of interest rates. There has been no change in the year to the fair value of the loan due to changes in credit risk. The movement in the year of £120,353 (2015: £351,173) is due to the final instalment and rolled up interest being paid in September 2015.

Financial risk management

The principal financial risks to which the Group is exposed are those relating to foreign currency, credit, liquidity and interest rate. These risks are managed in accordance with Board-approved policies.

Foreign currency risk

The Group operates in more than one currency jurisdiction and is therefore exposed to currency risk on the retranslation of the income statement and the balance sheet of its overseas subsidiaries from euros and rupees into its functional currency of pounds sterling. The Company funds its subsidiaries by a mixture of equity and intercompany loan financing and these balances are subject to exchange rate movements that can give rise to movements in equity. The Group also buys and sells goods and services in currencies other than the functional currency, principally in euros and US dollars. The Group has US dollar and euro-denominated bank accounts and, where possible, the Group will offset currency exposure where purchases and sales of goods and services can be made in these currencies. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is currently Group policy not to engage in any speculative transaction of any kind but this will be monitored by the Board to determine whether it is appropriate to use additional currency management procedures to manage risk. At 31 March 2016 (and 31 March 2015) the Group had not entered into any hedge transactions.

The following table demonstrates the sensitivity to a possible change in currency rates on the Group's profit before tax and equity through the impact of sterling weakening against the US dollar, the euro and the Canadian dollar.

	Decrease in currency rate	Effect on profit before tax £	Effect on equity £
2016			
Trade and other receivables	**5%**	**84,208**	**—**
Trade and other payables	**5%**	**(25,803)**	**—**
Cash and cash equivalents	**5%**	**19,465**	**—**
Net investment in overseas subsidiary	**5%**	**—**	**379**
2015			
Trade and other receivables	5%	72,642	—
Trade and other payables	5%	(47,128)	—
Cash and cash equivalents	5%	27,801	—
Net investment in overseas subsidiary	5%	—	(214,282)

An increase in currency rate of 5% would have a similar but opposite effect.

21 Financial instruments continued

Financial risk management continued

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group conducts its operations in many countries, so there is no concentration of risk in any one area. In most cases, the Group grants credit without security to its customers. Creditworthiness checks are undertaken before entering into contracts with new customers, and credit limits are set as appropriate. The Group conducts most of its operations through distributors and is therefore able to maintain a fairly close relationship with its immediate customers. As such, the Group monitors payment profiles of customers on a regular basis and is able to spot deteriorations in payment times. An allowance for impairment is made that represents the potential loss in respect of individual receivables where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An analysis of trade receivables from various regions is analysed in the following table:

	2016 Trade receivables £	2015 Trade receivables £
UK/Europe	**1,170,609**	1,075,727
North America	**267,995**	4,896
South/Central America	**199,784**	323,873
Asia and Far East	**407,940**	451,321
Africa and Middle East	**375,620**	381,610
	2,421,948	2,237,427

Capital management

The Group funds its operations with a mixture of short and long-term borrowings or equity as appropriate with a view to maximising returns for shareholders and maintaining investor, creditor and market confidence. The Board reviews and approves an annual budget to help ensure it has adequate facilities to meet all its operational needs and to support future growth in the business.

Liquidity risk

The Group's objective is to maintain sufficient headroom in cash generation and banking facilities to meet its foreseeable financing and working capital requirements. The Group maintains a surplus balance of cash and cash equivalents to ensure flexible liquidity to meet financial liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2016 based on the undiscounted cash flows of liabilities which include both future interest and principal amounts outstanding based on the earliest date on which the Group can be required to pay. The amounts of future interest are not included in the carrying value of financial liabilities on the balance sheet.

Consolidated	Less than 3 months £	3 to 12 months £	1 to 5 years £	Total £
2016				
Trade payables	1,070,258	—	—	1,070,258
Obligations under finance leases	25,664	102,119	282,914	410,697
	1,095,922	**102,119**	**282,914**	**1,480,955**
2015				
Trade payables	1,106,328	—	—	1,106,328
Obligations under finance leases	19,883	97,536	315,446	432,865
Vendor loan	—	120,353	—	120,353
	1,126,211	217,889	315,446	1,659,546

21 Financial instruments continued

Financial risk management continued

Liquidity risk continued

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2016 based on the undiscounted cash flows of liabilities based on the earliest date on which the Company can be required to pay.

Company	Less than 3 months £	3 to 12 months £	1 to 5 years £	Total £
2016				
Trade payables and amounts due to subsidiary companies	46,738	—	—	46,738
	46,738	**—**	**—**	**46,738**
2015				
Trade payables and amounts due to subsidiary companies	75,613	—	—	75,613
Vendor loan	—	120,353	—	120,353
	75,613	120,353	—	195,966

Interest rate risk

All of the Group's borrowings are at variable rates of interest.

The following table demonstrates the sensitivity to a possible change in interest rates on the Group's profit before tax through the impact on floating rate borrowings and cash balances.

Consolidated	Increase in basis points	Effect on profit before tax and equity £
2016		
Cash and cash equivalents	**25**	**4,093**
2015		
Cash and cash equivalents	25	6,360
Vendor loan	25	(500)

The following table demonstrates the sensitivity to a possible change in interest rates on the Company's profit before tax through the impact on floating rate borrowings and cash balances.

Company	Increase in basis points	Effect on profit before tax and equity £
2016		
Cash and cash equivalents	**25**	**1,912**
2015		
Cash and cash equivalents	25	3,649
Vendor loan	25	(500)

Fair values

The carrying amount for all categories of financial assets and liabilities disclosed on the balance sheet and in the related notes to the accounts is equal to the fair value of such assets and liabilities as at both 31 March 2016 and 31 March 2015. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the accounts.

The valuation methods used to fair value the financial assets and liabilities have been disclosed in Note 2 to the financial statements under the heading of Financial instruments.

The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2016 and 31 March 2015 represents the Group's maximum exposure to credit risk.

22 Capital commitments

At 31 March 2016 the Group had capital commitments contracted, but not provided for, of £Nil (2015: £0.2 million).

Notice is hereby given that the Annual General Meeting of the Company will be held at Omega House, Hillfoots Business Village, Clackmannanshire FK12 5DQ on 10 August 2016 at 12 noon for the following purposes:

1. To receive and adopt the reports of the Directors and the auditors and the audited accounts for the year ended 31 March 2016.
2. To re-appoint Ernst & Young LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
3. To re-elect Mr Kieron Harbinson as a Director of the Company.
4. To re-elect Mr Andrew Shepherd as a Director of the Company.
5. That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £1,449,942.24 ordinary shares of 4 pence each ("Ordinary Shares"), provided that this authority shall, unless, renewed, varied or revoked by the Company, expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on 31 October 2017 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Companies Act 2006, but without prejudice to any allotment already made or to be made pursuant to such authority.

Resolution 6 is proposed as a special resolution.

6. That, conditional upon the passing of resolution 5 above, and in accordance with section 570 of the Companies Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 5 as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

   6.1 the allotment of equity securities in connection with an issue in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them but subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements arising or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and

   6.2 the allotment of Ordinary Shares otherwise than pursuant to subparagraph 6.1 above up to an aggregate nominal amount of £217,491.32,

   and provided that this power shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, 31 October 2017, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry 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.

By order of the Board

Kieron Harbinson
Company Secretary
24 June 2016

Registered in England and Wales number 5017761

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Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 12 noon on 8 August 2016 shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member 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 and you should have received a proxy form with this Notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited, on 01252 821 390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. The notes to the proxy form explain how to (a) direct your proxy to vote on each resolution or withhold their vote; (b) appoint proxies; (c) change proxy instructions; and (d) terminate proxy appointments.

Corporate representing

7. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure.

Issued shares and total voting rights

8. As at the date of this Annual Report the Company's issued voting share capital comprised 108,745,669 ordinary shares of 4 pence each. 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 is as at the date of this Annual Report.

Communications with the Company

9. Except as provided above, members who have general queries about the Meeting should telephone Kieron Harbinson on +44(0)1259 763 030 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

Voting through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting 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.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications 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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo Limited does not make available special procedures in CREST for any particular messages. 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 or her 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 CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service 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.

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