Omega Diagnostics Group PLC
Annual Report and Group Financial Statements 2019

Improving patient outcomes

Omega DIAGNOSTICS GROUP PLC

A leading company in the fast growing area of immunoassay, with a global presence in over 75 countries

Our range of products

Omega Diagnostics Group PLC's subsidiaries provide high quality in-vitro diagnostics (IVD) products for use in hospitals, clinics, laboratories and healthcare practitioners in over 75 countries and specialise in the areas of allergy and autoimmune, food intolerance and infectious disease.

Allergy and autoimmune

Main products:

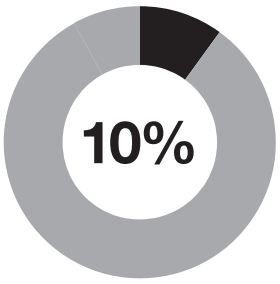
– Allergy

– Genesis ELISA

The Group develops and manufactures allergy assay reagents which allow the quantitative determination of Total IgE and Specific IgE in serum. These antibodies appear in human serum and plasma as a result of sensitisation to a specific allergen. Measurement of circulating IgE antibodies provides an objective assessment of sensitisation to an allergen. £0.6 million of FY19 revenues represent sales from the German business which was closed at the end of Q1.

Revenue share

£0.98m



Food intolerance

Main products:

– Foodprint®

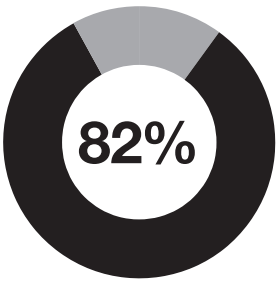
– Food Detective®

– CNS laboratory service

The Group provides a range of tests 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

£8.05m



Infectious disease

Main products:

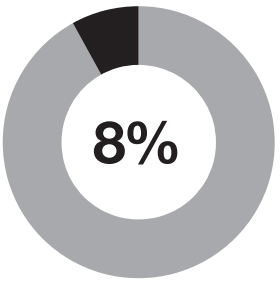
– VISITECT® CD4

– VISITECT® CD4 Advanced Disease

The VISITECT® CD4 in-vitro diagnostic test is for use as an aid in the management of patients with pre-diagnosed HIV infection. This visually read test is designed to be used at the point of care and therefore has utility in decentralised diagnostic settings. £0.5 million of FY19 revenues represent sales from the legacy infectious disease business which was sold at the end of June 2018.

Revenue share

£0.73m



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

Omega Diagnostics Group PLC

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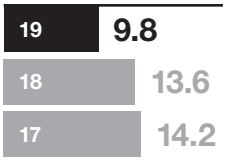
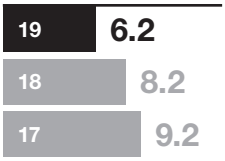
Financial highlights – total operations

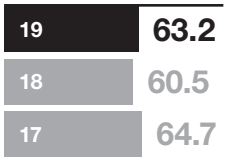
Sales (£m)
£9.8m
28%



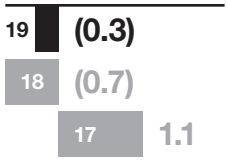
Gross profit (£m)
£6.2m
25%



Gross profit (%)
63.2%
2.7%



Adjusted (loss)/profit before tax (£m)*
£(0.3)m
Loss reduced by 59%



Statutory profit for the year after exceptional items was £974,253 (2018: loss of £7,269,597).

* The Group defines adjusted profit before taxation as statutory profit before tax and exceptional items, amortisation of intangible assets, share-based payment charges and IAS 19 pension admin charges. We believe that this measure of performance eliminates factors which distort period-on-period comparisons in order to provide a more comparable position year on year. We believe this information is useful to shareholders and analysts in providing a basis for measuring our financial performance. Page 30 provides a reconciliation between statutory and adjusted loss before tax.

Financial highlights – continuing operations

	2019	2018
Sales (£m)	**8.8**	8.3
Gross profit (£m)	**5.6**	5.5
Gross profit (%)	**64.3**	65.8
Adjusted loss before tax (£m)	**(0.2)**	(1.1)
EBITDA (£m)	**0.2**	(0.8)

Operational highlights and post-period-end highlights

- **Closure of Germany and Pune sites eliminating associated losses**
- **Disposal of legacy Infectious disease business to Novacyt SA for proceeds of £1.975 million**
- **IDS officially launched allergy range and first stocking orders are received**
- **62 allergens CE marked to run on the fully automated IDS system**
- **VISITECT® CD4 Advanced Disease test achieves CE mark and first orders received for both VISITECT® CD4 350 cut off test and Advanced Disease test**
- **VISITECT® CD4 Advanced Disease test added to Global Fund procurement list following review by Expert Review Panel for Diagnostics**
- **Food intolerance division returns to growth and makes progress with partners in China and US**
- **£0.64 million raised in May 2019 via direct subscription from key shareholders**
- **Placing and subscription for £1.7 million announced separately today, to ensure the Group has sufficient working capital to continue to develop the commercialisation of both versions of the VISITECT® CD4 test**

Contents

Our key focus going forward

VISITECT® CD4

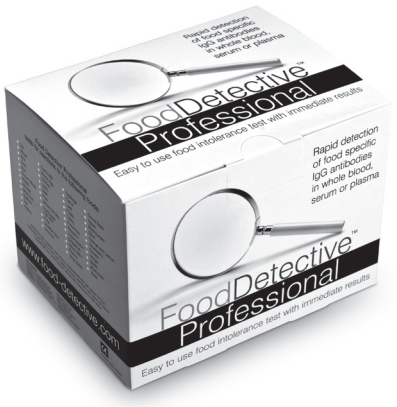
Typically, CD4 testing is carried out in a laboratory; however, for people in resource-limited and rural settings, it can be inaccessible. Convenient but effective point of care diagnostic tests can support the care of people living with HIV by providing actionable information. VISITECT® CD4 is a rapid, instrument-free, disposable, point of care test for CD4 in people living with HIV.

Allergy

The Omega Diagnostics allergy assays are chemiluminescent immunoassay (CLIA) reagents, designed for use with the Immunodiagnostic Systems (IDS) automated instrument, the IDS-iSYS Multi-Discipline Automated System. IDS provides laboratories worldwide with clinical and research solutions in the field of speciality endocrinology, autoimmunity, infectious disease and now allergy.

Food intolerance/sensitivity

While IgE antibodies are responsible for acute allergic reactions, IgG-mediated manifestations take much longer to develop. IgG antibodies play a significant role in the shaping of the body's normal immune system. Food Detective® is a point of care test that screens for the presence of IgG antibodies to 59 common foods, giving results in 40 minutes. Foodprint® is a laboratory-based system which utilises an innovative, colorimetric microarray-based ELISA technology for the measurement of food-specific IgG antibodies in human serum or plasma for over 200 different foods. Both systems use specific food extracts to identify the corresponding level of circulating IgG antibodies to these potential antigens and can therefore detect foods to which the immune system is reacting.



Our core values

Customer focus
Customer satisfaction is not a department; everyone is responsible. Listening to customers drives improvement.

Accountability
Ask what more I can do. Take ownership.

Collaboration
Actively support your colleagues. Be clear in communication. Celebrate success and have fun together.

Honesty
Aspire to be open and transparent. Take pride in building trust between ourselves and others.

Respect
Treat others as we would wish to be treated. Respect the environment we work and live in.

The launch of VISITECT® 350 and CE marking the VISITECT® Advanced Disease test, the world's only handheld, lateral flow CD4 test, are achievements that not only benefit Omega but will help people worldwide as they battle HIV. With advances made in our allergy and food intolerance business, we see an exciting future for our Company.

Allow me to begin my Chairman's Statement by expressing our collective thanks to David Evans for his many years of leadership as Omega's Non-executive Chairman. His astute guidance and input, as well as his active engagement and personal investment have led the Company through many ups and downs over the years, and his opinions and insights are missed at the Board table.

I would also like to introduce myself to our shareholders. Whilst I have been a Non-executive Director of the Company since 2013, I have only recently been asked to assume the role of Interim Chairman. Upon my retirement as an Executive Officer of Becton Dickinson and Company, I was asked by David to consider joining the Omega Board. He had specifically sought me out as he knew that I had extensive mergers and acquisitions experience, a background in in-vitro diagnostics in general and, more specifically, I had been the Worldwide President for BD Biosciences, the global leader in the development, manufacture and sales of CD4 tests. After meeting the management team at Alva, talking with the other Board members and looking carefully at the VISITECT® programme, I accepted the invitation to join in 2013 and I am glad to act as Interim Non-executive Chairman until such time as a permanent successor is appointed.

The Omega team has accomplished much in achieving the CE marking and commercial launch of the VISITECT® 350 test, especially when considering the many technical challenges that had to be successfully resolved in the process. The VISITECT® CD4 Advanced Disease test, targeting patients with advanced HIV disease (T lymphocyte cell counts of <200 cells/µl of blood) who are at risk of opportunistic infections, is also swiftly approaching commercial launch. Bearing in mind that no other handheld, lateral flow test exists in the marketplace for CD4 detection, our VISITECT® CD4 Advanced Disease test is uniquely placed to improve healthcare outcomes at near-patient level by allowing people living with HIV in the most rural settings and clinics to have immediate access to a critically important test.

Adding to the Chief Executive's Review, I would like to make the following observations and comments:

VISITECT® CD4 350 test

The 350 test has now been registered in three countries and is in the process of being registered in nine more. Registration can be both time consuming and complicated in many countries, requiring not only paperwork submissions but also at times in-country clinical evaluations. In addition, we have signed agreements with distributors in 13 countries for the 350 test and will endeavour to add the Advanced Disease test to their portfolios when it becomes commercially available. Initial orders have been received for the 350 test from five countries and, whilst to date modest in value, we expect higher levels of repeat sales, and expect that this will also enable rapid market access for the Advanced Disease test once available. Our required evaluation testing in Nigeria of the 350 test has recently been completed, and we are awaiting finalisation of the registration process there. We continue to regard Nigeria as the largest commercial market for the 350 test.

VISITECT® CD4 Advanced Disease test

The Advanced Disease test was CE marked just before the end of the financial year. The technical file supporting the CE mark formed the basis of the additional regulatory approvals that the Company submitted to the UNITAID-funded Expert Review Panel for Diagnostics (ERPD). As announced on 16 September 2019, following the conclusion of a quality risk assessment review by the ERPD, The Global Fund has informed the Company that its VISITECT® CD4 Advanced Disease test will be included in The Global Fund procurement list. This means that VISITECT® CD4 Advanced Disease tests may be procured by organisations with access to The Global Fund or UNITAID funds, following a review of procurement requests and the issue of a No-objection letter from the Global Fund. The Global Fund requires the Company to submit its VISITECT® CD4 Advanced Disease test for WHO Prequalification review in order to reach prequalification before the end of the ERPD authorised period which runs to 11 September 2020 and we look forward to updating you on progress throughout this financial year.

Allergy

We now have 62 allergens available for use on our commercialisation partner's worldwide installed base of analysers. IDS has been working together with Omega staff to ensure IDS sales personnel are well trained and prepared for positioning our products into the diagnostics laboratory marketplace, particularly focusing on reaching immunology practitioners who will be interested in adding allergens to their test menus. Our expectation is that Allergy will become an important contributor to both organisations' businesses over the medium term, and we are encouraged by IDS's commitment as evidenced by its willingness to assign people and resources to the programme.

Food intolerance

As detailed in the CEO's note, our Food intolerance business has returned to growth, and we are excited about our prospects for geographic expansion. Our management team has long identified China and North America, particularly the US, as natural targets for our tests. We have determined through discussions with potential and existing partners that a direct to consumer approach – that is, allowing individuals to assess their food intolerances in order to make informed decisions regarding diet, potentially adding to their overall health and wellness – is something consumers in both countries would be interested in. We have recently received a significant first and second purchase order from our new Chinese partner for a China-specific 46-food panel test we developed for it and we expect significant business going forward. We are also exploring how best to grow the US market, in light of and in full compliance with any regulatory requirements there.

Strategic reviews

As announced by David Evans previously, the management team, led by Colin King, undertook an in-depth strategic review of the overall Omega business, which in the opinion of the Board, shareholders may remember, determined that the sum of the parts exceeded the market's perceived value of the Group as a whole, as determined by share price. This, whilst perhaps surprising to some, is not an unusual finding, in that the market value of publicly listed companies does not always represent the enterprise value of the business, whether below or above.

Upon performing this review, we took a decision to engage with third-party strategic and private equity organisations to explore likely valuations of parts of our business that were fair and matched the Board's expectations of value.

Whilst we have received feedback from several interested parties, some of whom have provided non-binding expressions of interest confirming the Board's view, we are not yet in a position to have selected an opportunity that would realise the value to the business that the Board, the management team and ultimately the shareholders should expect. Whilst this process will continue, we will maintain our focus and efforts on running and growing the value of all our business units.

Going Concern

The Directors are required to prepare financial statements on a going concern basis unless the Directors either intend to cease trading or have no realistic alternative but to do so. These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the payment of liabilities in the ordinary course of business. The Group realised a profit of £974k for the year ended 31 March 2019 (2018: loss of £7,270k). As at 31 March 2019, the Group had net current assets of £1,185k and an undrawn overdraft facility of £1,255k. Management has negotiated an extension to the overdraft facility, which is now renewable at 30 September 2020.

The Directors have considered the future funding requirements of the Group and have prepared detailed forecasts which take into account its anticipated business activities with regards to its two VISITECT® CD4 products (VISITECT® CD4 350 and VISITECT® CD4 Advanced Disease), its current banking facilities, the principal risks and uncertainties the Group faces and other factors impacting the Group's future performance.

These forecasts extend to September 2020. There are a number of assumptions applied by the Directors underpinning the forecasts which are uncertain and outside of management's control:

Timing of regulatory approvals and associated orders

The forecasts are prepared on the assumption that approval from the Nigerian Ministry of Health ("MOH") in relation to the Company's VISITECT® CD4 350 test will be received by November 2019.

The Directors are encouraged that there will be a favourable outcome in respect of the MOH approval, given that an in-country product evaluation in six Nigerian States has completed with the product performing in line with expectations. The evaluation co-ordinator is in the process of submitting a report for review by the MOH and, if successful, the VISITECT® CD4 350 test will be adopted into the national HIV policy in Nigeria.

Committed orders for 20k units of the VISITECT® CD4 Advanced Disease test have been received with other low value orders for the VISITECT® CD4 350 test having already been completed. The fulfilment of these customer orders provides comfort to the Directors that there is a market for the CD4 product range. However, volume sales of both products are intrinsically dependent upon the approval outlined above with management already having received an order for 50k VISITECT® CD4 350 tests contingent upon the receipt of the MOH approval. Any delay in receiving approvals would influence the timing of receipt of significant customer orders.

Short term working capital funding
The Directors recognise the implications to short term working capital levels should there be delays in regulatory approval processes and subsequent timing of receipt of orders from customers. Management forecasts highlight a potential funding requirement if regulatory approval and subsequent receipt of purchase orders is delayed.

The Directors have therefore today announced a conditional placing and subscription to raise £1.7 million from existing and new shareholders. This funding is only conditional on shareholder approval at a General Meeting on 10 October 2019.

At the date of finalising the financial statements, the material uncertainties identified by the Directors as being outside of their control, that may cast significant doubt on the Group's ability to continue as a going concern, are as follows:

– the timing of the in-country approval from the Nigerian MOH in relation to VISITECT® CD4 350 test
– the timing and volume of sales orders for both VISITECT® CD4 350 & VISITECT® CD4 Advanced Disease tests
– the approval of the proposed equity raise

These financial statements do not include the adjustments that would be required if the Group was unable to continue as a going concern. If the going concern basis of preparation was no longer appropriate, adjustments would be required which would include reducing the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise.

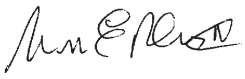
Outlook

In summary, then, we have made substantial, industry-leading advances in the area of CD4 testing, having achieved commercial launch of the first, and still only, handheld, lateral flow CD4 test and have rapidly progressed the Advanced Disease test to commercial launch as well. We are confident that we will receive the necessary approvals for CD4 but note the existence of material uncertainties with respect to timing of approvals and receipt of significant purchase orders and the resulting impact on short term working capital requirements.

In recognising the existence of material uncertainties, we are encouraged as:

– our existing and new shareholders have committed to invest £1.7 million subject only to approval at the forthcoming general meeting;
– our VISITECT® CD4 Advanced Disease test has received ERPD approval;
– our new Chinese partner for Food Detective® has placed two significant purchase orders;
– our partner, IDS, has committed resources and trained its sales personnel, with Omega's involvement, to focus on and build the market for our allergy tests; and
– we continue to explore unlocking the value within our three business units, whilst still managing to progress all three of them, namely, CD4 testing, allergy and food intolerance testing.

Until such time as we have recruited a new Chairman, I look forward to continuing to serve as Interim Chairman, working with the Board and management to ultimately achieve significant shareholder value.



William Rhodes
Interim Non-executive Chairman
20 September 2019

Leveraging our strengths to deliver value

How we generate revenue

Omega Diagnostics Group PLC is focused on selling a range of specialist products, primarily in the immunoassay, in-vitro diagnostics (IVD) market within three segments where we see significant niche growth opportunities.

Allergy and autoimmune

Focus on the lab automation market segment through strategic partnership with IDS. Over the previous seven years we have been developing our menu to compete in the market and are now at 60 allergens which we are starting to commercialise. We continue to expand the menu.

Food intolerance

The Group provides a range of tests associated with food intolerance and gut health. We have a network in over 75 countries and are currently focusing on growing revenues in the US and China.

Infectious disease

Following the sale of our legacy Infectious disease business in the prior year our focus is now on commercialising VISITECT® CD4.

How we are different

Geographic 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.

People and knowledge

Skilled scientific team with the capability and capacity for development in our three product segments and skilled operational and support staff to manufacture and commercialise opportunities in these segments.

Technology and innovation

The Group has built up knowledge in innovative products that will allow Omega to differentiate its products from other offerings in the market.

Strong partnerships

Strong alliances with leading research institutions, commercial partners and NGOs allow us to access future technologies, innovative solutions and improved distribution capabilities.

Our strategy

Focused strategy

Grow all three operating segments

One company

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: "our greatest asset"

Provide a framework where all employees can contribute to the business through effective management and leadership

Customer focus

Maintaining customers at the heart of the organisation

A clear focus on Allergy, VISITECT® CD4 and Food intolerance

Achievements
- 62 allergens CE marked to run on the IDS-iSYS machine
- IDS launches allergy range in March 2019
- CE marked VISITECT® CD4 350 test – first sales achieved
- National evaluation progressing in Nigeria on VISITECT® CD4 350 test
- VISITECT® CD4 Advanced Disease test CE marked
- Chinese partner places first order for Food Detective®
- ERPD approval for VISITECT® CD4 Advanced Disease

Future focus
- Continue expansion of the allergen menu
- Sales and marketing support to help IDS increase allergy sales in Europe
- Seek WHO regulatory approval for VISITECT® CD4 Advanced Disease
- Expansion of the Foodprint® offering in the US and Food Detective® in China
- VISITECT® 350 test registered in three countries and in the process of being registered in nine more

Achievements
- Group core values launched
- Staff survey group introduced
- Metrics and key project updates proactively managed and being shared with staff
- 5S training ongoing in Alva and Ely
- Staff intranet launched

Future focus
- Introduce accountability training across the Group
- Continuous improvement culture roll-out
- Implemented actions for staff survey
- Develop a health and well-being culture

Achievements
- Project management structure and processes implemented including non-development process
- Strategic sourcing strategy being rolled out
- Quality culture training nearing completion
- Progress made on UK site expansion plans to support future growth
- Level loading commenced in Ely

Future focus
- Further work on strategic sourcing to deliver significant improvements
- Complete quality plan and culture roll-out across all sites
- Execution of UK site expansion plans
- Level loading – fully implemented on both UK sites

Achievements
- Management training programmes are in place and starting to make a positive difference
- New staff appraisal and development programmes implemented
- Staff recruitment process improved
- Training plans in place

Future focus
- Continue to invest in training and development for all staff
- Develop a talent pipeline to ensure long-term success of the Group
- Develop staff skills matrix linked to reward system

Achievements
- Customer satisfaction surveys completed
- Increased customer interaction with a wider set of staff

Future focus
- Digital marketing strategy to improve customer communications
- Implement customer advisory board
- Develop strategy and processes for CD4 customer support

At the start of 2018 we set out a clear strategy and specific actions which we believed were required to re-shape our business. I'm pleased to report below that the removal of our non-core products and the focus on Allergy, VISITECT® CD4 and Food intolerance is starting to take shape.

- **Group revenue on a like-for-like basis for continuing operations increased by 5.1%**
- **Food intolerance division returns to revenue growth of 7% over prior year**
- **Operating loss before exceptional items of £0.4 million (2018: loss of £1.0 million)**
- **Adjusted loss before tax of £0.3 million (2018: loss of £0.7 million)**
- **EBITDA of £0.1 million (2018: loss of £0.3 million)**
- **VISITECT® CD4 Advanced Disease test achieves CE mark and first orders received for VISITECT® CD4 350 cut off test**
- **IDS officially launch allergy range and first stocking orders are received**
- **62 allergens CE marked which can be run on the IDS instrument**
- **Significant progress made with our China-specific Food intolerance panel**

Our revenue in the twelve months to 31 March 2019 was £9.76 million which reflects the decisions taken last year as part of the Board's strategic review to divest the non-core Infectious disease business and to close the German Allergy business. Revenue declined by 28% on a headline basis (2018: £13.55 million) and increased 5.1% on a like-for-like basis for continuing operations. The growth on a like-for-like basis has been driven by the Food intolerance segment which returned to revenue growth of 7% over the prior year.

Our statutory profit for the year was £1.0 million compared to a loss of £7.3 million in the prior year. This profit includes a one-off gain of £0.9 million in relation to the Infectious disease division sale and £0.85 million in relation to the writing off of liabilities in Germany.

Our adjusted loss before taxation was £0.3 million versus £0.7 million in the prior year. The closures of loss-making sites in Germany and the manufacturing site in India were completed in the first half of the year and it was pleasing to note that in the second half of the year we made an adjusted profit of £0.2 million. Gross profit also increased in the year to 63.2% versus the prior year level of 60.5% – this is due to a higher level of Food intolerance sales which are higher margin products for the Group.

Core business

Food intolerance

– The Food intolerance division sales reversed a previous year decline of 6% to an increase of 7%, resulting in sales in 2019 of £8.1 million (2018: £7.6 million). Encouragingly the recovery was across all regions and positions us for further growth in this current financial year.

– Sales of Foodprint® increased by 19% to £5.46 million (2018: £4.59 million). The Group sold a further nine instruments taking the cumulative number of installations to 193 instruments in 41 countries, and revenue per instrument increased by 13% to £28,942 (2018: £25,503).

– Sales of Food Detective® declined by 2% in the year to £1.67 million (2018: £1.71 million).

– Following the consolidation of the US laboratory market we have adjusted our strategy and are now focused on two labs offering our tests. Both customers are in the process of implementing strategies that should capitalise on the significant market opportunity and we expect to start seeing the benefits of these activities in the second half of the coming financial year.

– Our development team and our strategic partner in China have made excellent progress with the development and registration of our Food intolerance product in China. We had initially expected the registration not to be completed until Q2 2020 but now expect registration to be completed in Q4 2019. In preparation for the expected launch we have received our first and second orders for +48,000 tests.

– The move into our new purpose built facility, in Ely, for our Food intolerance business unit, will be completed by the end of this financial year. The move is essential to deal with the increasing demand for our Food intolerance products.

Allergy and autoimmune

– The Allergy and autoimmune division sales decreased by 70% on the prior year to £0.98 million (2018: £3.31 million). The main reason for the decline was the decision to discontinue the German Allergy business with the 2019 revenues including a contribution in the first quarter only.

– IDS started to commercialise the 60 CE-Marked allergens in March 2019 and these tests cover many of the most prominent and clinically relevant allergens that are routinely tested for. We continue to make good progress with extending our allergen offering on the automated IDS instrument and now have 62 allergens CE marked, and we continue to trend towards ten allergens launched per year. We expect the first-year sales to be modest as IDS gears up commercialisation and we work to further extend our menu offering. Initially the target market will be the current IDS installed base and in particular the customers that are running its Autoimmune panel. Once we increase the menu to between 70 and 80 allergens this will allow IDS to be more competitive in the marketplace.

– Autoimmune sales declined from £0.47 million to £0.35 million as a result of an ongoing exercise to rationalise the product range. As this range of products is non-core to our business, we have taken the decision to discontinue all of these products by the end of September 2019.

Infectious disease

The Infectious disease division sales decreased by 73% on the prior year to £0.73 million (2018: £2.68 million). The main reason for the decline was the decision to sell the legacy Infectious disease business with 2019 revenues including a contribution in the first quarter only.

VISITECT® CD4 – We achieved key milestones in CE marking the CD4 Advanced Disease test at the end of March 2019 and registering our first sales of the 350 reference line test. Our focus is now on commercialisation of both VISITECT® CD4 and VISITECT® CD4 Advanced Disease.

– Commercialisation for our VISITECT® CD4 350 will be via our distribution partners in key countries. Indonesia and Nigeria represent the largest opportunities. Indonesia has purchased a stocking order and has commenced a marketing campaign. The Nigerian evaluation has just completed and, although it has taken longer than expected due to needing to collect a sufficient number of samples with lower CD4 counts, the initial feedback is positive towards the test. The next step in the process is the lead investigator will provide a report which will be submitted to the government for approval and once approved by the Minister of Health, sales can commence. We expect meaningful sales to commence later this calendar year.
– We believe that VISITECT® CD4 Advanced Disease is the larger opportunity out of the two test formats – a recent publication by The Clinton Health Access Initiative (CHAI) estimated that one third of adults initiating treatment in low-to-middle-income countries are estimated to start care at a CD4 cell count of <200 cells/μL. The US government, through the US President's Emergency Plan for AIDS Relief (PEPFAR), has included support for a "lateral flow CD4 assay" in its current operational guidance and The Global Fund has indicated it will financially support the initiative. Unitaid has also recently set aside a $20 million fund to support patients with advanced HIV disease which CD4 will play a part in.

Our plans to commercialise VISITECT® CD4 products comprise three sales channels:

1. advanced Disease Initiative co-ordinated by Unitaid;
2. united Nations NGO network; and
3. our distribution partners.

Advanced HIV Disease Initiative – Unitaid is investing $20 million to run through to the end of 2020 in a package of care which includes a CD4 lateral flow assay with a cut off at 200 CD4 cells/μL. This initiative is being driven by Unitaid and will be implemented by CHAI. Following confirmation that the Global Fund has included our VISITECT® CD4 Advanced Disease test on its global procurement list, we are confident we can make progress with the seven countries being targeted (Malawi, Nigeria, South Africa, Tanzania, Uganda, Botswana and Lesotho). Unitaid/CHAI have indicated they will support us to accelerate country approvals and market entry.

United Nations NGO network – these are all prospective and significant buyers; however, procurement requires WHO prequalification to be completed. This approval incorporates three stages; the first is a review of technical documents which is currently underway. Once this is completed a WHO evaluation and site audit will be required prior to approval. This is unlikely to happen during the current financial year but should occur during FY21.

Sales will be via our distribution partners in key countries, of which we have identified 24 countries for phase 1. These countries have been identified according to a defined criteria:

a) prioritised by Unitaid/CHAI Advanced HIV Disease Initiative, e.g. Lesotho;
b) HIV prevalence greater than 2%, e.g. Tanzania;
c) a strong distribution partner having a proven track record of growing sales, e.g. Brazil; and
d) a group of stakeholders in country actively driving advanced HIV disease agenda, e.g. Vietnam.

A detailed timeline of key stages to achieve first sales in each of the 24 countries has been defined and includes appointing a relevant distribution partner, product registration and product evaluation (not required in all countries) and is being actively project managed.

Going Concern

As noted in Bill's Chairman's statement, we recognise the material uncertainties that exist within our forecast models, namely, with the awaited in-country approval from the Nigerian MOH in relation to the VISITECT® CD4 350 test, and the rate at which customer demand will pick up for both versions of the CD4 test. In order to recognise potential delays with these events, we have decided to raise additional funding of £1.7 million from existing and new shareholders as announced separately today. The fund raise will complete, subject to passing the resolutions proposed for the forthcoming general meeting on 10 October 2019 and we are grateful for the support shown by shareholders in supporting our growth opportunities.

Outlook

The Board's decisions since the strategic review announced last year have enabled the Company to focus on its key growth areas and to achieve delivery targets against development timelines.

The Food intolerance division has returned to revenue growth of 7% over the prior year and has made good progress with partners in developing the opportunities for this division in China and the US, which the Board anticipates will lead to further growth in the current financial year.

There are now two CE marked versions of the Company's VISITECT® CD4 test and the Board is confident that, following the approval from the ERPD process, the advanced disease version of this unique test will benefit many people living with HIV.

The Company's allergy range of 60 tests was commercially launched by IDS in March this year and we look forward to working with IDS as we expand the menu offering beyond the current 62 allergens that are CE-Marked.

We are therefore confident as we look forward that all three focused areas are well positioned to deliver growth to the business.

Finally, I would like to thank all the Group employees for their continued support and commitment; without their hard work we would not have been able to make progress against our vision. We are all looking forward to a return to profitability and delivering on our strategic aims which will ultimately return value to all stakeholders.

Colin King
Chief Executive
20 September 2019

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 management process

The Group's senior management team meets on a regular basis and ensures that time is dedicated to review the Group risk register on a detailed basis.

Key

↑ Increase in risk → No change in risk ↓ Decrease in risk

Principal risks and uncertainties

Risk and description	Mitigating actions	Change
General economic and political 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 economic climate has been dominated by UK Brexit discussions leading to a change in leadership of the UK government. The US government administration is also taking a harder line approach to political situations in the Middle East and trade tariffs with China.
Brexit The vote by the UK to leave the EU has created increased uncertainty for the future. The Group anticipates that the process of withdrawing from the EU will be complex and take time.	The Group earns a significant proportion of its revenues in currencies other than sterling, which can help to mitigate the impact of withdrawal.	↑ The inability of the UK government to gain parliamentary approval for its withdrawal agreement negotiated with the EU has led to increased uncertainty as to the eventual outcome of Brexit discussions.
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 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. Failure to comply with the various regulatory laws can have adverse consequences including increased costs, restrictions, recalls or product suspensions.	The Group maintains a quality assurance/regulatory team and conducts its operations within recognised quality assurance systems and undergoes external assessment to ensure compliance with these systems.	↓ Both versions of the VISITECT® CD4 test have now been CE marked, but the test still has to overcome ERPD and WHO prequalification hurdles. The divestment of the Infectious disease business has removed a significant number of product lines that were routinely subject to audit from overseas regulatory bodies.

Risk and description	Mitigating actions	Change
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 maintained an adequate level of liquidity with the recent renewal of its £2 million overdraft facility and the recent receipt of £0.6 million from a direct subscription for equity from key shareholders.
Eurozone risk The euro area combines many 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 lead to uncertainty and may lead to disruption in investment choices.	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.	↑ Alongside the volatility that exists with Brexit, economic and political turmoil also exists in Italy. A key fault line is the relationship between Italian public debt and Italian banks where the public debt stock is large, while, on the other hand, the country's banks are financially weak. There is cause for increased focus at the moment with French and German banks that have massive exposure to Italian sovereign debt.
Development risk The Group has reduced expenditure on development compared to prior years as products have progressed through the development phase. 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. Poor product evaluations could lead to delays in approvals and product launches.	The Group seeks to mitigate the risk around development activities by ensuring that new product candidates undergo a rigorous screening programme. Development programmes are planned in accordance with recognised industry quality standards, managed by people with the requisite skills.	↓ The Group has now CE marked 60 allergens to run on the IDS-iSYS machine with IDS now having officially launched the range through its marketing channels. VISITECT® CD4 350 and Advanced Disease tests have now been CE marked with product registration ongoing in multiple countries.
Technology risk Competition introduces new technology that competes with the Group's current portfolio which is disruptive in nature.	The Group closely monitors the market on a continual basis.	→ The Group continues to invest in development and innovation to maintain market share.
Operational risk Certain parts of our business may be reliant on single sources of supply or single customer partnerships	Develop closer relationships with partners and create strategic sourcing plan to identify alternative suppliers of key raw materials.	→ Regular meetings held with IDS and joint commercialisation team formed. Unique suppliers identified for all key raw materials for UK operations.
Pricing environment Competition offering lower prices for similar products to those of the Group.	The Group has implemented strategic sourcing to drive down the cost of goods. The Group regularly reviews manufacturing processes and production batch sizes. The sale of the Infectious disease business allows the Group to focus resource on higher margin, less price competitive products.	↓ The Group is aware of increased price competition for some of its products and has recruited a strategic sourcing manager to implement its strategy. The Group is also reviewing potential reductions in the cost of goods for its VISITECT® CD4 products, to be introduced as manufacturing scale-up occurs.
Key employees The Group operates in an industry where the recruitment, training and retention of talented people is critical to the Group being able to deliver successfully on its strategies and objectives.	The Group aims to offer competitive salary and benefits packages which align the interests of employees with shareholders. The Group also recognises and places importance on training and personal development.	→ The Group monitors trends in the industry and undertakes a UK-wide salary benchmarking exercise once a year. Whilst there have been some staff losses to competitor companies, the Group's operations have not been adversely affected.

Group revenue from continuing operations increased by 5.1% to £8.75 million, due mainly to a return to revenue growth in our Food intolerance division.

- **Total Group revenue decreased by 28% to £9.76 million (2018: £13.55 million)**
- **Like-for-like revenue of continuing operations increased by 5% to £8.75 million (2018: £8.33 million)**
- **Exceptional gains of £1.66 million (2018: exceptional charges of £6.51 million)**
- **Statutory profit from all operations for the year of £0.97 million (2018: loss of £7.27 million)**
- **Statutory loss from continuing operations for the year of £0.34 million (2018: loss of £1.21 million)**
- **Adjusted loss before taxation from all operations of £0.30 million (2018: loss of £0.73 million)**
- **Adjusted loss before taxation from continuing operations of £0.21 million (2018: loss of £1.1 million)**
- **£635,000 raised in May 2019 via direct subscription from key shareholders**
- **Bank overdraft facility renewed in September 2019 at £2.0 million**

Following the implementation of our strategic review, our financial results in the profit and loss account have been presented to highlight the results from continuing operations and discontinued operations to provide for a like-for-like comparison.

Financial performance

Given that results for the year have been impacted by the decision to close our loss-making operations in Germany and Pune, India, I will deal first with a summary of financial performance from continuing operations, excluding the effects of closures, followed by a summary of the discontinued operations.

Continuing operations financial summary

	2019 £	2018 £
Food intolerance revenue	**8,050,142**	7,556,078
Allergy and autoimmune revenue	**401,251**	487,885
Infectious disease revenue	**305,363**	285,508
Total revenue	**8,756,756**	8,329,471
Gross profit	**5,632,329**	5,479,283
Gross profit percentage	**64.3%**	65.8%
Exceptional items	**—**	(225,720)
EBITDA	**199,668**	(812,375)
Adjusted loss before taxation	**(218,061)**	(1,079,165)

* EBITDA is reconciled in Note 4.

Group revenue from continuing operations increased by 5.1% to £8.75 million, due mainly to a return to revenue growth in our Food intolerance division which benefited from a strong performance, particularly with Foodprint®, which achieved sales of £5.46 million (2018: £4.59 million) with the majority of growth coming from "top ten" markets. Food Detective® revenues of £1.67 million were similar to last year (2018: £1.71 million) with key markets holding their position. Revenues for Autoimmune and Infectious disease were principally derived of sales through our India subsidiary and amounted to £0.7 million.

The reduction in gross profit percentage of 1.5 percentage points is mainly due to a reallocation of quality control staff previously expensed through administrations costs now being included in direct labour costs within cost of sales. This reallocation more than offset a smaller reduction in material costs due to improved product mix relating to higher sales of Foodprint®.

Administrative overheads from continuing operations reduced by £0.67 million to £4.69 million (2018: £5.36 million). Approximately half of the reduction related to the reallocation of headcount to other departments (QC heads reallocated to production labour and customer service heads reallocated to selling and marketing). The other half related to savings in personnel/travel costs and reduced bank and forex charges.

Selling and marketing costs increased marginally to £1.53 million (2018: £1.37 million) reflecting the reallocation of headcount into this department as noted in the paragraph immediately above.

There were no exceptional items in the year ended 31 March 2019 and the prior year charge relates to the termination cost of the previous CEO (Andrew Shepherd).

Discontinued operations financial summary

	2019 £	2018 £
Food intolerance revenue	**—**	—
Allergy and autoimmune revenue	**578,907**	2,826,075
Infectious disease revenue	**423,656**	2,397,180
Total revenue	**1,002,563**	5,223,255
Gross profit	**531,095**	2,713,532
Gross profit percentage	**53%**	52.0%
Exceptional items	**1,660,683**	(5,662,306)
EBITDA	**(73,370)**	498,885
Adjusted (loss)/profit before taxation	**(85,177)**	269,240

* EBITDA is calculated by taking the adjusted loss in 2019 of (£85,177) (2018: profit of £345,615) and adding back depreciation in 2019 of £11,807 (2018: £153,270).

The discontinued operations comprise the Allergy business that was closed down and operated by our German subsidiary, Omega Diagnostics GmbH, the manufacturing operations in Pune, India (infectious disease), that were closed down and operated by our India subsidiary, Omega Dx (Asia) Pvt Limited, and the legacy Infectious disease business that was sold by Omega Diagnostics Limited to Lab 21 Healthcare Ltd in June 2018.

The exceptional items in 2019 are credits to the profit and loss account, comprised of a write-back of net liabilities in relation to Omega Diagnostics GmbH of £758,875 and a gain on sale of the legacy Infectious disease business of £901,808, as disclosed more fully in Note 7 to the financial statements.

Exceptional items summary (pre-taxation)

	2019		2018	
	Continuing operations £	**Discontinued operations £**	Continuing operations £	Discontinued operations £
Gain on sale of Infectious disease business	**—**	**901,808**	—	—
Omega Diagnostics GmbH closure	**—**	**758,875**	—	(4,677,799)
Omega Dx (Asia) Pvt Limited manufacturing closure	**—**	**—**	—	(984,507)
Andrew Shepherd deferred settlement	**—**	**—**	(225,720)	—
Total	**—**	**1,660,683**	(225,720)	(5,662,306)

The remainder of the Financial Review addresses the results for total operations.

Adjusted loss before tax

Adjusted loss before tax (statutory profit before tax of £1.26 million with a deduction of £1.74 million for exceptional item gains, and an add-back for amortisation of intangibles of £0.14 million and share-based payment charges of £0.03 million) was £0.30 million compared to an adjusted loss before tax of £0.73 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 currently after an allocation for Group overheads. Losses in the Allergy and autoimmune segment have reduced significantly following the closure of the German business and future segment performance is reliant on our relationship with IDS and its ability to grow its market share as we add new allergens to the menu. The Infectious disease segment shows an increased loss due to the decision to retain manufacturing staff in the business, following the divestment of the legacy Infectious disease business to Lab 21 Healthcare Ltd ('Lab 21'), to cope with the anticipated increase in demand from VISITECT® CD4 and to provide a time-limited product assembly service to Lab 21 as it continues its technology transfer activities.

Taxation

The current year tax charge of £0.21 million (2018: £0.27 million credit) is comprised of:

– a credit of £0.12 million relating to a receipt from HMRC for surrendering SME R&D tax credits relating to the year ended 31 March 2018.

– a movement in deferred tax charges relating to the giving up of those losses for future offset that gave rise to those tax credits.

– a tax charge relating to the sale of the legacy infectious disease business, offset by SME R&D tax credits for the current year.

We have cumulative tax losses of approximately £6.5 million that are carried forward and available for offset against future profits. Our UK companies continue to benefit from government policies on tax that encourage investment in research and development activities. In the year a research and development tax credit of £0.2 million was accrued in the income statement included within administration costs (2018: £0.2 million).

Earnings per share

Adjusted earnings per share were (0.2) pence versus (0.4) pence in the prior year. The adjusted loss after tax of £0.27 million is an improvement on the prior year adjusted loss after tax of £0.47 million, calculated on a fully diluted 127.1 million (2018: 122.8 million) shares in issue. Statutory earnings per share were 0.8 pence (2018: (6.0 pence)) on statutory profit after tax of £0.97 million (2018: loss of £7.27 million).

Research and development

During the year, we invested a total of £2.60 million in all development activities (2018: £3.04 million), representing 26.6% of Group turnover. Expenditure on our Allergy project reduced to £0.98 million (2018: £1.25 million) as we brought certain previously outsourced functions in house. Despite this, we were able to extend the menu to 62 allergens in total at the end of the financial year. Expenditure on VISITECT® CD4 increased to £0.96 million (2018: £0.64 million) due to an increase in material costs reflecting more external evaluations taking place and more activity with the internal validation of manufacturing scale-up processes. Staff costs increased reflecting higher regulatory activity as we achieved CE marking for our VISITECT® CD4 Advanced Disease test and the support of applications to the ERPD and WHO prequalification processes.

We also increased expenditure on enhancements to our Food intolerance products, investing £0.51 million in the year (2018: £0.33 million).

Research and development continued

There was £Nil expenditure (2018: £0.47 million) on Allergodip® and £Nil expenditure on malaria (2018: £0.20 million) following the strategic closure decisions in the prior year, as noted above.

Of the total expenditure, £2.45 million (2018: £2.90 million) has been capitalised on the balance sheet in accordance with IAS 38 – Development Costs whilst earlier stage R&D expenditure of £0.15 million (2018: £0.15 million) has been expensed through the income statement.

A summary of the carrying value of capitalised development costs is shown in the table below:

	2018 £	Incurred in year £	**2019 £**
Allergy	5,859,530	940,709	**6,800,239**
VISITECT® CD4	2,859,815	955,362	**3,815,177**
Food/other	466,870	553,930	**1,020,800**
Total	9,186,215	2,450,001	**11,636,216**

Property, plant and equipment

Expenditure on fixed assets in the year was £0.34 million, lower than in the prior year (2018: £0.47 million). Expenditure was split evenly across the two main UK sites with £0.19 million for the Alva site in Scotland and £0.15 million in the Littleport site in England and included expenditure on equipment for IT, manufacturing and development needs. Of this expenditure, £0.04 million was offset through new asset finance leases.

Financing

The Group generated a positive cash flow from its operating activities, principally from its Food intolerance testing segment, and this has been supplemented by its funding initiatives from other sources since the financial year end. The Group continues to have a strong relationship with the Bank of Scotland as principal bankers to the Group and, in September of this year, we agreed a further renewal of the overdraft facility of £2.0 million (2018: £2.0 million) until 30 September 2020.

Following the year end, the Group also received £0.18 million representing a contractual deferred consideration payment from the sale of the Infectious disease business.

In May 2019, the Group raised £0.64 million of new equity capital through a direct subscription from certain shareholders, resulting in the issue of 6,347,950 new ordinary shares of 4 pence each bringing the total number of shares issued at the date of this report to 133,307,010.

My colleagues have outlined the material uncertainties that exist with assumptions underpinning our internal forecasts. As a result, we have embarked on a fundraise to provide additional working capital to provide headroom for at least the next 12 months. As announced separately today, we propose to issue 17,000,000 new ordinary shares of 4 pence each through a placing and direct subscription with existing and new shareholders, to raise £1.7 million and I thank all shareholders for their ongoing support.

Operating cash flow

The Group monitors its cash requirement carefully and 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 £0.37 million (2018: outflow of £0.83 million). The Group has achieved a conversion rate of adjusted operating loss (operating loss plus amortisation of intangible assets plus share-based payments) to operating cash of 379% (2018: 82%). At 31 March 2019, the Group was utilising its overdraft facility in the amount of £1.05 million, offset by positive cash balances of £0.31 million, giving a net overdraft utilisation of £0.74 million (2018: £0.1 million of cash). Certain post-balance sheet fundraising activities are noted in the financing section above. Our ability to continue to generate sufficient future operating cash flow is dependent, to a certain extent, on the sales traction achieved with VISITECT® CD4 once we receive the regulatory approvals that are expected shortly.

Kieron Harbinson
Group Finance Director
20 September 2019

The Company is required by the Companies Act 2006 to include a Strategic Report in its Annual Report. The information that fulfils this requirement can be found from pages 1 to 14.

Signed by order of the Directors on behalf of the Board

William Rhodes
Interim Non-executive Chairman
20 September 2019

William Rhodes
Interim Non-executive Chairman
Appointed 1 May 2013
During his 14-year career with Becton, Dickinson and Company, 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.

Chairman of the Remuneration Committee and member of the Audit Committee.

Colin King
Chief Executive Officer
Appointed 3 August 2015
Colin joined Omega in August 2015 as Chief Operating Officer. He has worked in the medical diagnostics industry for 23 years, previously working for Axis-Shield. He joined them in 1995 and held a number of positions encompassing planning, supply chain, project management and operations and, ultimately, from 2007 was Managing Director of the Laboratory division. During his time as Managing Director he was responsible for leading its diversification strategy, which was successful in maintaining revenues despite retiring two key product revenue lines. Colin was appointed Chief Executive Officer on 14 December 2017, with key responsibility for implementation of the recent strategic review.

Kieron Harbinson
Group Finance Director
Appointed August 2002
Kieron joined Omega in August 2002 as Finance Director. He has 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. Kieron is responsible for finance and investor relations.

Jag Grewal
Commercial Director
Appointed 30 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). Jag is responsible for the commercial strategy and development of the Group driven through sales and marketing, product management, business development and customer service to drive business growth and market share.

Jeremy Millard
Non-executive Director
Appointed 1 March 2019
Jeremy has 20 years' investment banking experience and was previously a partner at Smith Square Partners LLP where he provided strategic and corporate advice to clients in the science, technology and telecommunications sectors, prior to which he headed up the technology practice at Rothschild in London. Jeremy is currently a Non-executive Director and chairman of the audit committee of AIM-listed Idox plc and a Non-executive Director of AIM-listed Ilika Plc.

Chairman of the Audit Committee and member of the Remuneration Committee.

Introduction

The Board has decided to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-sized Quoted Companies, issued in April 2018. The Board believes that the QCA Code is the more appropriate framework under which to operate for a company of our size.

The Chairman of the Board of Directors has overall responsibility for corporate governance and the Board is committed to providing information on an open basis. The Board understands the role that good corporate governance plays, particularly around the wider areas of culture and accountability, and has overseen a number of changes over the recent past to drive improved performance and accountability throughout the Group, including:

– the appointment of Colin King as CEO in December 2017;

– the appointment of Jeremy Millard as a Non-executive Director on 1 March 2019;

– the introduction of annual Group-wide staff surveys; and

– the implementation of a set of new core values.

Board and Committee structure

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 currently comprises an Interim Non-executive Chairman (William Rhodes), a Non-executive Director (Jeremy Millard) and three Executive Directors who are the Chief Executive (Colin King), the Chief Financial Officer (Kieron Harbinson) and the Commercial Director (Jag Grewal) who meet frequently during the year to discuss strategy and to review progress and outcomes against objectives. The Board is reviewing its longer-term needs for a permanent Chairman which, once resolved, is likely to lead to one more additional Non-executive Director. The Company has also taken steps recently to improve our engagement with shareholders and to try and communicate more effectively regarding our long-term growth drivers. The Board has a good mix of skills and experience and a culture that easily enables the Non-executive members of the Board to challenge and advise the Executive team as appropriate.

The Group also has an Audit Committee and a Remuneration Committee. The Remuneration Committee is chaired by William Rhodes, the Interim Non-executive Chairman and the Audit Committee is chaired by Jeremy Millard, who was appointed a Non-executive Director of the Board on 1 March 2019. The Board does not have a separate Nominations Committee due to its small size and the Board itself adopts a consensus-based approach in making changes to its composition.

William Rhodes has additional non-executive directorships of the following companies:

– Curetis NV;

– Paramit Corporation LLC; and

– Third Day Advisors LLC.

Roles and responsibilities of the Board

The roles and responsibilities of the various Board positions are as follows:

Chairman – has responsibility for leading an orderly and effective Board and providing overall guidance to other members of the Board to ensure it delivers on its stated strategy. The Chairman also attends some results presentations demonstrating a level of commitment which is visible to shareholders. The Chairman is also responsible for overseeing the Group's corporate governance practices to ensure they remain relevant for an organisation of our size.

Non-executive Director – has responsibility to be independent in judgement and thought and for scrutinising and, if necessary, challenging the Chief Executive and Executive Directors to ensure the Group delivers its strategy whilst maintaining acceptable levels of risk. The NED also provides a sounding block for the Chairman as and when necessary.

Chief Executive – has responsibility for leading the organisation and implementing the Group's objectives in line with the Board's agreed strategy, assessing risks to ensure they are managed and mitigated, safeguarding the Group's assets with appropriate policies and controls, leading an investor relations programme to ensure effective communication with shareholders and to ensure effective communication and reporting between the Executive members of the Board to the Non-executive members.

Executive Directors – which currently comprise the positions of CFO and Commercial Director, have responsibility for safeguarding the Group's assets with appropriate policies and controls and supporting the CEO in promoting the interests of the Company. Executive Directors support the CEO in day-to-day operational, finance and commercial issues, providing support and leadership to the senior management team and support in the delivery of the organisation's strategic plan.

The workings of the Board and Committees

The Board members have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining and implementing a strategy to deliver long-term value to shareholders but which operates within a framework of good corporate governance arrangements and in line with the Board's assessment of risk. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chairman of the Board.

Following the resignation of David Evans as Chairman and a Director on 10 December 2018, William Rhodes agreed to act as Interim Non-executive Chairman until such time as a full time successor is appointed. William Rhodes is considered by the Board to be independent. However, it is noted that William Rhodes has previously been granted share options as disclosed on page 20 of the Annual Report. Jeremy Millard is considered by the Board to be independent. However, it is noted that Jeremy Millard is the brother-in-law of the Company's largest shareholder.

Both William Rhodes and Jeremy Millard act in the interests of the Company at all times and are not influenced by the factors pointed out above.

The Board meets at regular intervals and has a schedule of matters reserved for the Board including:

– 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 and this includes a report from the Executive members of the Board, along with summary reports from senior managers providing updates on key issues. The Non-executive Directors are committed to providing not less than 18 days annually to the Group. In reality, the Non-executive Directors consistently provide more than this minimum time requirement. The Executive Directors are all full-time positions.

For the last financial year ended 31 March 2019, the number of meetings held, and attendance by each Board member to those meetings he is entitled to attend, is as follows:

	Board	Audit Committee	Remuneration Committee
David Evans (12 meetings entitled to attend before his resignation on 10 December 2018)	11/12	1/1	1/1
William Rhodes	13/15	1/1	2/3
Jeremy Millard	1/1	—	—
Colin King	15/15	—	—
Kieron Harbinson	15/15	—	—
Jag Grewal	13/15	—	—

The Board delegates authority to two Committees which operate under terms of reference and include:

The Audit Committee

The Audit Committee is comprised of Jeremy Millard as Chairman and William Rhodes. William Rhodes took on the Chairman of the Committee following the resignation of David Evans on 10 December 2018 and Jeremy Millard was appointed Chairman on 27 August 2019. The Committee 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 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 raising 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 is comprised of William Rhodes as Chairman and Jeremy Millard. William Rhodes took on the Chairman of the Committee following the resignation of David Evans on 10 December 2018. The Committee 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.

Board effectiveness

The Board collectively has many years' experience in the in-vitro diagnostics industry and financial expertise with a number of public and private companies. This experience includes areas of immunoassay development, operational supply and logistics, commercial and corporate finance activities. Currently all members of the Board are male and two of them are chartered accountants. There are currently no female Directors, but the Board remains confident both that the opportunities in the Company are not excluded or limited by any diversity issues (including gender) and that the Board nevertheless contains the necessary mix of experience, skills and other personal qualities and capabilities necessary to deliver its strategy. The Chairman fosters a culture during Board meetings that encourages debate and enables any Director to feel comfortable in communicating and explaining alternative viewpoints. The Board is of the view that it has a balance of experience and skills to enable it to deliver on its strategy. Directors ensure their skills and capabilities are kept up to date including:

– attending continuing professional development courses as part of a professional qualification; and

– attending industry trade shows and exhibitions to remain up to date with competitor activities.

The Board has not undertaken any formal external review of its members' performance to date. In reviewing its own performance, the Board is aware of its perception amongst shareholders, both through formal face-to-face meetings and subsequent feedback from these, along with informal discussions which take place from time to time.

The Chairman of the Board led the discussion and process which led to the creation and appointment of a new position for Chief Operating Officer (COO) which was filled by the original appointment of Colin King in August 2015. This process was itself part of a longer succession planning for the role of CEO and led to Colin stepping up to the CEO role in December 2017. Feedback from shareholders has been positive regarding the strategic review undertaken by Colin since his appointment. As Chairman, William Rhodes invites all Board members to suggest any candidates who they feel may be capable of adding value to the Board as a whole.

The Board seeks advice from external advisers where necessary. This includes its nominated adviser/broker in relation to compliance with the AIM Rules for Companies and advice regarding secondary fundraisings. For example, the Board has received advice from its NOMAD/broker in relation to the raising of £0.6 million completed in May 2019. The Board also regularly seeks legal advice in relation to acquisitions and disposals along with property matters. For example, the Board has sought legal advice in relation to the sale of its Infectious disease business completed on 28 June 2018 and in relation to the filing for insolvency of its German subsidiary, Omega Diagnostics GmbH.

Beneath Board level, members of the senior management team are included in the twice-yearly review process which is carried out across the entire Group.

Directors' biographies are listed on page 15 of the Annual Report.

Promoting a culture of corporate values

Prior to taking on the CEO role, Colin King led an internal exercise with the senior management team to identify and implement a set of core values that could be consistently adopted throughout the entire Group. These values were then presented to all staff and have led to the adoption of the following core values:

- *Accountability*
  - Ask what more I can do
  - Take ownership
- *Collaboration*
  - Actively support your colleagues
  - Be clear in communication
  - Celebrate success and have fun together
- *Respect*
  - Treat others as you would wish to be treated
  - Respect the environment we work and live in
- *Honesty*
  - Aspire to be open and transparent
  - Take pride in building trust between ourselves and others
- *Customer focus*
  - Customer satisfaction is not a department; everyone is responsible
  - Listening to customers drives improvement

The Executive members of the Board are very aware of the importance in living to these core values and in setting examples for all staff to follow. The core values are highly visible throughout the organisation and are branded on the walls of the buildings as well as being used on Company notebooks and pens. The core values that the organisation promotes are included within recruitment processes as well as within the personal development reviews which all staff undergo twice a year.

Internal control and risk management

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.

The Board has embedded an effective process of managing and monitoring risk through the Company's senior management team (SMT), which comprises the three Executive Directors, plus a number of senior managers across all functions of the Group, The SMT meets on a monthly basis to review key management objectives. The SMT is also responsible for preparing a risk register which is also reviewed at these monthly meetings and analysed for changes using a scoring system of impact and probability, as well as the identification of new risks.

The annual report also includes an analysis of key risks along with mitigating actions on pages 10 and 11. 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 responsibility for investor relations lies with the CEO, who is supported by the CFO. The Group seeks to engage with shareholders on a number of occasions throughout the year to understand shareholders' needs and expectations.

In the previous twelve months, the Group has been involved in a series of meetings with institutional and private shareholders and more information can be seen on the Company's website.

The Group receives anonymised feedback through its broker and financial PR organisation from attendees at all the meetings it attends and welcomes both positive feedback and constructive criticism. This feedback has proved useful in tailoring the content of subsequent presentations.

The Group also regularly updates its website and provides updates through social media (Twitter, Facebook and LinkedIn) likely to be of interest to existing and new investors. In addition, the Group's PR consultants provide 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.

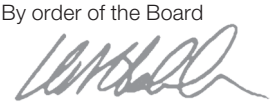
Going concern

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 1 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12 to 14. In addition, Note 21 to the financial statements includes the Group's objectives, policies and processes for its financial risk management objectives and details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk. The Directors have considered the future funding requirements of the Group and have prepared detailed forecasts which take into account its anticipated business activities with regard to its two VISITECT® CD4 products (VISITECT® CD4 350 and VISITECT® CD4 Advanced Disease), its current banking facilities, the principal risks and uncertainties the Group faces and other factors impacting the Group's future performance. These forecasts extend to September 2020. There are a number of assumptions applied by the Directors underpinning the forecasts which are uncertain and outside of management's control.

The Directors recognise the implications to short-term working capital levels should there be delays in regulatory approval processes and subsequent timing of receipt of orders from customers. Management forecasts highlight a potential funding requirement if regulatory approval and subsequent receipt of purchase orders is delayed. The Directors have today announced a conditional placing and subscription to raise £1.7 million from existing and new shareholders. This funding is only conditional on shareholder approval at a general meeting on 10 October 2019. The Group has recently renewed a £2.0 million overdraft facility for the period through to 30 September 2020. At the date of finalising the financial statements, the material uncertainties identified by the Directors as being outside of their control, that may cast significant doubt on the Group's ability to continue as a going concern, are as follows: the timing of in-country approval from the Nigerian MOH in relation to VISITECT® CD4 350 test, timing and volume of sales orders for both VISITECT® CD4 350 and VISITECT® CD4 Advanced Disease tests and the approval of the proposed equity raise. As a result, these represent material uncertainties, that may cast significant doubt on the Group's ability to continue as a going concern.

These financial statements do not include the adjustments that would be required if the Group was unable to continue as a going concern. If the going concern basis of preparation was no longer appropriate, adjustments would be required which would include reducing the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise.

By order of the Board



Kieron Harbinson
Company Secretary
20 September 2019

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 William Rhodes and Jeremy Millard. 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.

Directors' service contracts

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. David Evans resigned on 10 December 2018.

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 £50,000. 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. His salary was increased to £190,000 on 14 December 2017 when he was appointed Chief Executive Officer. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

Jeremy Millard was appointed as a Non-executive Director of the Group on 1 March 2019 and is entitled to an annual fee of £25,000. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Directors' emoluments

	Fees/basic salary £	Bonuses £	Benefits in kind £	**Total 2019 £**	Total 2018 £
Executive					
Kieron Harbinson	150,000	—	1,575	**151,575**	151,496
Jag Grewal	140,000	—	4,244	**144,244**	142,622
Colin King*	190,000	—	1,368	**191,368**	181,946
Non-executive					
David Evans	17,069	—	—	**17,069**	25,000
William Rhodes	50,000	—	—	**50,000**	50,000
Jeremy Millard	2,083	—	—	**2,083**	—
	549,152	—	7,187	**556,339**	551,064

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

Directors' pension contributions

	2019 £	2018 £
Kieron Harbinson	**7,500**	7,500
Jag Grewal	**7,000**	7,000
Colin King	**9,500**	9,031
	24,000	23,531

* Indicates the highest paid Director.

Directors' interests in ordinary shares

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

	31 March 2019	31 March 2018
David Evans	**5,154,745**	4,154,745
Kieron Harbinson	**606,617**	481,617
Jag Grewal	**153,246**	153,246
Colin King	**468,253**	277,777
William Rhodes	**—**	—
Jeremy Millard	**—**	—

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

Directors' share options

	At 1 April 2018	Granted during the year	Lapsed during the year	Exercised during the year	**At 31 March 2019**	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**	15.3p	04/07/13	04/07/16	04/07/23
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**	13.3p	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

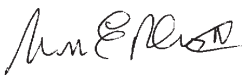
The options granted above have a one-year vesting period, unless indicated below.

* Indicates the options have a vesting period of three years (due to a three-year service condition) and can be exercised if the market price of a share has been at 25 pence or higher on at least one occasion at any time on or after the third anniversary of the date of grant.

** Indicates the options have a vesting period of three years (due to a three-year service condition) and can be exercised if the market price of a share has been at 50 pence or higher on at least one occasion at any time on or after the third anniversary of the date of grant.

The share price at 31 March 2019 was 13.25 pence. The highest and lowest share prices during the year were 17.65 pence and 8.75 pence respectively.

Approved by the Board



William Rhodes
Interim Non-executive Chairman
20 September 2019

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2019.

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 £974,253 (2018: loss of £7,269,597), 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 1 to 14.

The Company profit for the year ended 31 March 2019 is £1,676 (2018: loss of £5,802,146).

Future development
As permitted by section 411c (11), information on likely future developments is included in the Strategic Report, where it is considered by the Directors to be of strategic importance.

Research and development
Details of research and development activity are contained in the Financial Review on pages 12 to 14. Costs in the year amounted to £2,600,061 (2018: £3,036,142). Costs of £150,060 in relation to research activities (2018: £145,456) were expensed through the statement of comprehensive income and costs of £2,450,001 in relation to product development (2018: £2,890,686) 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 (resigned 10 December 2018);

– Kieron Harbinson;

– Jag Grewal;

– William Rhodes;

– Colin King; and

– Jeremy Millard (appointed 1 March 2019).

Biographies of all Directors serving at the year end are on page 15.

Directors' interests
The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report on pages 19 and 20. There are no non-beneficial interests held by Directors. On 23 April 2018 Colin King purchased a further 190,476 ordinary shares of 4 pence each in the capital of the Company at a price of 10.5 pence per ordinary share taking his total holding to 468,253 ordinary shares. On 23 April 2018 Kieron Harbinson purchased a further 125,000 ordinary shares of 4 pence each in the capital of the Company at a volume weighted average price of 13.05 pence per ordinary share taking his total holding to 606,617 ordinary shares.

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.

Treasury policy and financial risk management
The Group continues to generate revenues and cash flows through its subsidiary undertakings. The financial risk management objectives, policies and processes of the Group and details of its financial instruments are detailed in Note 2 and Note 21. The Strategic Report contains details of the Group's system of internal control.

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 15. 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.

Major interests in shares
As at 30 June 2019 the following shareholders held more than 3% of the Group's issued ordinary share capital:

	Number of 4 pence ordinary shares	Percentage
Richard Sneller	29,450,710	22.09%
Harwood Capital	16,069,642	12.05%
Legal & General Investment Management	15,851,031	11.89%
Hargreaves Lansdown Stockbrokers	7,609,002	5.71%
Octopus Investments Limited	6,682,730	5.01%
David Evans	5,654,745	4.24%
Unicorn Asset Management	4,266,750	3.20%
Redmayne Bentley Stockbrokers	4,060,215	3.05%
Mobeus Equity Partners LLP	3,999,950	3.00%

No significant changes since 30 June 2019.

By order of the Board

Kieron Harbinson
Company Secretary
20 September 2019

The Directors are responsible for preparing the Annual Report and 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 give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the 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;

– make judgements and estimates that are reasonable; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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.

Opinion

In our opinion:

- Omega Diagnostics Group plc's group financial statements and parent company financial statements (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 2019 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Omega Diagnostics Group plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2019	Balance sheet as at 31 March 2019
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 22 to the financial statements including a summary of significant accounting policies
Related notes 1 to 22 to the financial statements, including a summary of significant accounting policies	

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 to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements page 37, which indicates that, in the absence of timely regulatory approvals and associated orders from the continued commercialisation of the Group's VISITECT® assets, cash resources of the Group may under certain circumstances cease to be sufficient after December 2019. As a result, there will be a requirement for additional short-term working capital funding given that the success of these approvals and the timing of the receipt of significant customer orders remain uncertain.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview of our audit approach

Key audit matters	– Risk of inappropriate adoption of the Going Concern assertion in preparing the financial statements. – Risk of inappropriate revenue recognition – Risk of inappropriate capitalisation of R&D spend – Risk of impairment of capitalised development costs – Risk of impairment of goodwill
Audit scope	– We performed an audit of the complete financial information of 2 components and audit procedures on specific balances for a further 1 component. – The components where we performed full or specific audit procedures accounted for 92% of Gross Margin, 90% of Revenue and 94% of Total assets.
Materiality	– Overall group materiality of £92k which represents 1.5% of Gross Margin.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate adoption of the Going Concern assertion in preparing the financial statements. As detailed at Note 2 to the financial statements on page 37, the Group and company's ability to continue as a going concern is dependent on additional short-term working capital funding, in the absence of timely regulatory approvals and associated orders from the continued commercialisation of the Group's VISITECT® assets, the success and timing of which are uncertain. The Directors' have applied judgement when concluding that risks and circumstances described in Note 2 to the financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. Auditing standards require this to be reported as a key audit matter.	Our audit response consisted of several procedures including those summarised below: – Evaluate management's future cash flow forecasts, and the process by which they are prepared, and challenge the underlying key assumptions such as expected cash inflow from product sales and cash outflow from ongoing development expenditure and other operating expenses. – Assess alternative scenario analysis of management using the low end of revenue forecasts and accompanying key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would lead to alternative conclusions. – Review the mitigation measures such as additional sources of funding and cost saving measures, in the event that they are required, challenging the reliability and certainty in which these could be implemented. – Read board minutes and available written communications with commercial partners in order to understand the future plans and to identify potential contradictory information. – Review the disclosures in the financial statements for consistency with management's assessment and ensure that the disclosures with respect to the going concern assertion are sufficient and appropriate.	Based on the audit procedures performed we concur with the Directors that it is appropriate to prepare the financial statements on the going concern basis and consider management's disclosures to be consistent with their assessment. We concur with the material uncertainties identified by the Directors and the associated disclosures in Note 2 to the financial statements.
Risk of inappropriate revenue recognition (£9.8m, PY comparative £13.6m) *Refer to the Accounting policies (page 40); and Note 7 of the Consolidated Financial Statements (page 46)* ISAs (UK) require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks. We have specifically focused this risk to whether sales are valid with higher risk in the area of recording revenue for sales/ shipments that either did not occur, or did not occur at the level recorded by management, or for which the risks and rewards have not passed to the customer. Pressures to meet stakeholder expectations could provide incentives to record revenues where risk and reward have not passed.	Our audit response consisted of several procedures including those summarised below: – Perform walkthroughs of the revenue cycle at significant components to gain an understanding of when the revenue should be recognised, to map out the relevant controls end to end and the processes in place. We have assessed the design and implementation of these controls. – Perform monthly analytical reviews to identify any unusual sales trends as well as computer assisted data analytics techniques to focus our testing on any unusual revenue transactions. – Interview a selection of key sales personnel to determine the existence of any side agreements or unusual arrangements which may impact when revenue can be recognised. – Perform substantive testing procedures including detailed transaction testing around the period end to ensure revenue had been recognised in the correct period and that transfer of risks and rewards of ownership were appropriately accounted for. – Review post year end credit notes to ensure revenue recognised pre- year end was not reversed post year-end. – Review all debit postings to revenue in the final quarter of FY19 to ensure these reversals were not subsequently recognised post year-end. We performed full scope audit procedures over this risk area for one component, which covered 90% of the risk amount.	Based on our audit procedures performed we have concluded that revenue is recognised appropriately in all material respects.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate capitalisation of Research and Development (R&D) spend (£2.5m, PY comparative £2.9m) *Refer to the Accounting policies (page 38); and Note 8 of the Consolidated Financial Statements (page 50)* The Group continues to invest in its development programs and has significant expenditure which is capitalised on the balance sheet rather than expensed through the income statement as incurred on the basis of meeting the recognition requirement of IAS 38. The application of the recognition criteria under IAS 38, the assessment of the effectiveness of the expenditure and the percentage level of internal labour costs to be capitalised are all highly judgmental and open to management override, providing opportunity to distort income statement performance.	Our audit response consisted of several procedures including those summarised below: – Review and update our understanding of the development projects being undertaken by the Group through interviews with the Research and Development director, online and media research and discussions with key management. – Enquires of non-finance staff, including research scientists who are actively involved in the research and development activities of the group as appropriate to support our understanding of the Group's developments projects and key assumptions taken by management. – Challenge key assumptions made by management in their application of IAS 38 recognition criteria to determine whether or not costs capitalised meet the requirements of the standard. – Detailed sample testing of additions to supporting documentation to confirm that the types of costs capitalised are appropriate and consistent with IAS 38. – Review for any ineffective spend, by interviews and discussions with lead scientists/engineers surrounding project progress and any issues encountered to date, and through the review of board meeting minutes. – Assess the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area for two components, which covered 100% of the risk amount.	Based on the audit procedures performed we have concluded that there have been no issues of inappropriate capitalisation of R&D.
Risk of impairment of capitalised development costs (£11.6m, PY comparative £9.2m) *Refer to the Accounting policies (page 38); and Note 8 of the Consolidated Financial Statements (page 50)* The Group has significant intangible assets as a result of capitalised development spend arising from products in development. For the products in development, the main judgments relate to achieving successful trial results and obtaining required clinical and regulatory approvals. The risk is that there may be errors in these judgments. Assessment of the recoverability of the assets is based on forecasting and discounting future cash flows, which are inherently highly judgmental. The risk has decreased in the current year due to the progression of the development projects.	Our audit response consisted of several procedures including those summarised below: – Evaluate the Group's assumptions used in assessing the recoverability of intangible assets, in particular, revenue and cash flow projections, the probability of obtaining regulatory approval and the weighted average cost of capital. – Perform sensitivity analyses over individual intangible asset models, to assess the level of sensitivity to key assumptions, and focused our work in those areas. – Assess the reasonableness of the Group's assumptions regarding the probability of obtaining regulatory approval through consideration of the current phase of development and comparison to industry practice. – Interview key R&D personnel to corroborate the assumptions used. – Evaluate appropriateness of the discount rate applied, with the assistance of EY valuations specialists. – Challenge management's key assumptions regarding the size of the market and the product's projected share of this market through comparison to external scientific literature, market data and speaking with external stakeholders. – Challenge internally generated evidence by reviewing analyst forecasts, and retrospective assessment of the accuracy of the Group's projections. – Assess the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area for two components, which covered 100% of the risk amount.	Based on the audit procedures performed we have concluded that the assumptions made by management are reasonable and no impairment issues having been identified.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of impairment of goodwill (£3.0m, PY comparative £3.3m) *Refer to the Accounting policies (page 38); and Note 8 of the Consolidated Financial Statements (page 50)* The Group has significant goodwill of £3.0m arising from the acquisition of Genesis & CNS. Assessment of the recoverability of the asset is based on forecasting and discounting future cash flows, which are inherently highly judgmental.	Our audit response consisted of several procedures including those summarised below: – Evaluate the Group's assumptions used in assessing the recoverability of intangible assets, in particular, EBITDA projections and the weighted average cost of capital. – Perform sensitivity analyses over individual CGU models, to assess the level of sensitivity to key assumptions, and focused our work in those areas. – Evaluate appropriateness of the discount rate applied, with the assistance of EY valuations specialists. – Challenge internally generated evidence by reviewing analyst forecasts, and retrospective assessment of the accuracy of the Group's projections. – Assess the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area for one component, which covered 100% of the risk amount.	Based on the audit procedures performed we have concluded that the assumptions made by management are reasonable with no impairment issues having been identified.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 4 reporting components of the Group, we selected 3 components covering entities which represent the principal business units within the Group.

Of the 3 components selected, we performed an audit of the complete financial information of 2 components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% (2018: 100%) of the Group's Margin, 100% (2018: 99%) of the Group's Revenue and 100% (2018: 99%) of the Group's Total assets. For the current year, the full scope components contributed 92% (2018: 96%) of the Group's Gross Margin, 90% (2018: 94%) of the Group's Revenue and 94% (2018: 94%) of the Group's Total assets.

Of the remaining 2 components that represent 8% of the Group's Gross Margin, for these components, we performed other procedures, including analytical review, testing of consolidation journals, foreign currency translation recalculations and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

Gross Margin

92% Full scope components

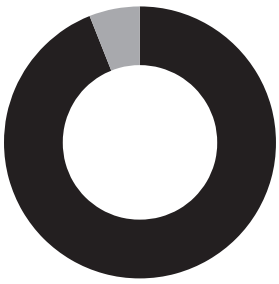
8% Other procedures

Revenue

90% Full scope components

10% Other procedures

Total assets



94% Full scope components

6% Other procedures

An overview of the scope of our audit continued

Changes from the prior year

The increase in coverage from the prior year reflects the simplification of group structure resulting in a fewer number of components and increasing coverage from those full scope components.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £92k (2018: £76k), which is 1.5% of Gross Margin (2018: 1% of Gross Margin). In 2018, we applied 1% of Gross Margin to reflect the increased risk due the significant restructuring. We have reassessed and increased to 1.5% reflecting the completion of the restructuring activities and overall impact on risk across continued components.

We continue to use Gross Margin as the basis for setting materiality in the current year, on the basis that its considered a key performance indicator by management and shareholders. The use of profit before tax not considered to be appropriate given the continued loss making position of the underlying business.

We determined materiality for the Parent Company to be £411k (2018: £202k), which is 2% (2018: 1%) of total equity. Similar to Group materiality, we applied a lower threshold in 2018 due to the on-going restructuring activities of the Group. We have applied 2% in 2019 reflecting the completion of such activities.

The Parent company is not a trading entity, therefore we consider it appropriate to prepare materiality on a different basis. Owing to the trading performance of the Group, materiality is significantly lower than that of the parent company.

During the course of our audit, we reassessed initial materiality using final year-end figures which resulted in no change from our original assessment at the planning stage of the audit.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be 75% (2018: 75%) of our planning materiality, namely £69k (2018: £57k). We have set performance materiality at 75% based on our expectation and likelihood of misstatements, taking into account the internal control environment, accounting systems and level of estimation in the financial statements.

Audit work at component for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £52k to £62k (2018: £18k to £36k).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £4.6k (2018: £3.8k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on page 1, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

– 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; and

– the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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 auditor's 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.

Ernst & Young LLP

Paul Copland (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
20 September 2019

Notes:

1. The maintenance and integrity of the Omega Diagnostics Group Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Note	2019 Continuing operations £	2019 Discontinued operations £	2019 Total £	2018 Continuing operations £	2018 Discontinued operations £	2018 Total £
Continuing operations							
Revenue	7	**8,756,756**	**1,002,563**	**9,759,319**	8,329,471	5,223,255	13,552,726
Cost of sales		**(3,124,427)**	**(471,468)**	**(3,595,895)**	(2,850,188)	(2,509,723)	(5,359,911)
Gross profit		**5,632,329**	**531,095**	**6,163,424**	5,479,283	2,713,532	8,192,815
Administration costs		**(4,695,486)**	**(445,550)**	**(5,141,036)**	(5,356,261)	(1,567,454)	(6,923,715)
Selling and marketing costs		**(1,532,980)**	**(195,295)**	**(1,728,275)**	(1,369,950)	(920,567)	(2,290,517)
Other income		**324,794**	**—**	**324,794**	31,080	—	31,080
Operating loss before exceptional items	7	**(271,343)**	**(109,750)**	**(381,093)**	(1,215,848)	225,511	(990,337)
Exceptional items	7	**—**	**1,660,683**	**1,660,683**	(225,720)	(5,662,306)	(5,888,026)
Operating (loss)/profit after exceptional items		**(271,343)**	**1,550,933**	**1,279,590**	(1,441,568)	(5,436,795)	(6,878,363)
Finance costs	5	**(97,085)**	**—**	**(97,085)**	(36,351)	—	(36,351)
Finance income – interest receivable		**11**	**—**	**11**	751	—	751
(Loss)/profit before taxation	6	**(368,417)**	**1,550,933**	**1,182,516**	(1,477,168)	(5,436,795)	(6,913,963)
Tax credit/(charge)		**28,891**	**(237,154)**	**(208,263)**	265,404	—	265,404
Tax – exceptional item	6	**—**	**—**	**—**	—	(621,038)	(621,038)
(Loss)/profit for the year		**(339,526)**	**1,313,779**	**974,253**	(1,211,764)	(6,057,833)	(7,269,597)
Other comprehensive income to be reclassified to profit and loss in subsequent periods							
Exchange differences on translation of foreign operations		**20,568**	**(2,331)**	**18,237**	(8,431)	41,483	33,052
Recycling of translation revenue on foreign operations		**—**	**41,886**	**41,886**	—	—	—
Tax charge		**(91)**	**—**	**(91)**	(11,988)	—	(11,988)
Other comprehensive income that will not be reclassified to profit and loss in subsequent periods							
Actuarial loss on defined benefit pensions		**—**	**—**	**—**	—	(258,449)	(258,449)
Tax credit		**—**	**—**	**—**	—	49,105	49,105
Other comprehensive income for the year		**20,477**	**39,555**	**60,032**	(20,419)	(167,861)	(188,280)
Total comprehensive income for the year		**(319,049)**	**1,353,334**	**1,034,285**	(1,232,183)	(6,225,694)	(7,457,877)
Earnings per share (EPS)							
Basic and diluted EPS on profit for the year	20	**(0.3p)**	**1.0p**	**0.8p**	(1.0p)	(5.0p)	(6.0p)

ADJUSTED LOSS BEFORE TAXATION

for the year ended 31 March 2019

	Note	2019 Continuing operations £	2019 Discontinued operations £	2019 Total £	2018 Continuing operations £	2018 Discontinued operations £	2018 Total £
(Loss)/profit before taxation		**(368,417)**	**1,550,933**	**1,182,516**	(1,477,168)	(5,436,795)	(6,913,963)
Exceptional items		**—**	**(1,660,683)**	**(1,660,683)**	225,720	5,662,306	5,888,026
IAS 19 pension charges		**—**	**—**	**—**	—	1,646	1,646
Amortisation of intangible assets		**116,156**	**24,573**	**140,729**	120,013	118,458	238,471
Share-based payment charges		**34,201**	**—**	**34,201**	52,270	—	52,270
Adjusted loss before taxation		**(218,060)**	**(85,177)**	**(303,237)**	(1,079,165)	345,615	(733,550)
Earnings per share (EPS)							
Adjusted EPS on loss for the year	20	**(0.1p)**	**(0.1p)**	**(0.2p)**	(0.7p)	0.3p	(0.4p)

Adjusted profit before taxation is derived by taking statutory profit before taxation and adding back exceptional items, IAS 19 pension charges, amortisation of intangible assets and share-based payment charges. This is not a primary statement and the reported numbers are non-GAAP measures.

CONSOLIDATED BALANCE SHEET

as at 31 March 2019

	Note	2019 £	2018 £
ASSETS			
Non-current assets			
Intangibles	8	**17,044,293**	15,029,448
Property, plant and equipment	9	**1,569,581**	1,712,933
Deferred taxation	14	**1,371,260**	1,250,082
Total non-current assets		**19,985,134**	17,992,463
Current assets			
Inventories	10	**1,000,700**	1,823,961
Trade and other receivables	11	**2,489,389**	2,969,410
Cash and cash equivalents		**—**	115,719
Total current assets		**3,490,089**	4,909,090
Total assets		**23,475,223**	22,901,553
EQUITY AND LIABILITIES			
Equity			
Issued capital		**19,797,343**	19,797,343
Retained earnings		**(1,677,106)**	(2,685,469)
Other reserves		**70,405**	10,282
Total equity		**18,190,642**	17,122,156
Liabilities			
Non-current liabilities			
Long-term borrowings	12	**78,478**	728,830
Deferred taxation	14	**2,036,593**	1,619,795
Deferred income		**864,255**	357,360
Retirement benefit deficit	18	**—**	317,294
Total non-current liabilities		**2,979,326**	3,023,279
Current liabilities			
Short-term borrowings	12	**98,574**	154,049
Bank overdraft		**744,708**	—
Trade and other payables	13	**1,461,973**	2,602,069
Total current liabilities		**2,305,255**	2,756,118
Total liabilities		**5,284,581**	5,779,397
Total equity and liabilities		**23,475,223**	22,901,553

William Rhodes
Interim Non-executive Chairman
20 September 2019

Kieron Harbinson
Group Finance Director
20 September 2019

Omega Diagnostics Group PLC
Registered number: 5017761

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Issued capital £	Retained earnings £	Translation reserve £	Total £
Balance at 31 March 2017	16,727,516	4,753,190	(22,770)	21,457,936
Issue of share capital for cash consideration	3,264,910	—	—	3,264,910
Expenses in connection with share issue	(195,083)	—	—	(195,083)
Loss for the year ended 31 March 2018	—	(7,269,597)	—	(7,269,597)
Other comprehensive income – net exchange adjustments	—	—	33,052	33,052
Other comprehensive income – actuarial loss on defined benefit pensions	—	(258,449)	—	(258,449)
Other comprehensive income – tax credit	—	37,117	—	37,117
Total comprehensive income for the year	—	(7,490,929)	33,052	(7,457,877)
Share-based payments	—	52,270	—	52,270
Balance at 31 March 2018	19,797,343	(2,685,469)	10,282	17,122,156
Profit for the year ended 31 March 2019	—	974,253	—	974,253
Other comprehensive income – net exchange adjustments	—	—	18,237	18,237
Other comprehensive income – net exchange adjustments recycled	—	—	41,886	41,886
Other comprehensive income – tax charge	—	(91)	—	(91)
Total comprehensive income for the year	—	974,162	60,123	1,034,285
Share-based payments	—	34,201	—	34,201
Balance at 31 March 2019	**19,797,343**	**(1,677,106)**	**70,405**	**18,190,642**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2019

	Note	2019 £	2018 £
Cash flows generated from operations			
Profit/(loss) for the year		**974,253**	(7,269,597)
Adjustments for:			
Taxation		**208,263**	(265,404)
Taxation – exceptional item		**—**	621,038
Finance costs		**97,085**	36,351
Finance income		**(11)**	(751)
Operating profit/(loss) before working capital movement		**1,279,590**	(6,878,363)
Decrease/(increase) in trade and other receivables		**620,454**	(508,994)
Decrease in inventories		**196,438**	553,614
(Decrease)/increase in trade and other payables		**(1,078,437)**	839,110
Loss on sale of property, plant and equipment		**—**	1,648
(Net liabilities written off)/asset provisions		**(758,875)**	4,476,316
Gain on sale of Infectious disease division		**(901,808)**	—
Depreciation	7	**332,461**	386,105
Amortisation of intangible assets	8	**140,729**	238,471
Movement in grants		**382,234**	119,293
Share-based payments		**34,201**	52,270
Taxation received/(taxation paid)		**121,832**	(107,967)
Cash flow from/(used in) operating activities		**368,819**	(828,497)
Investing activities			
Finance income		**11**	751
Proceeds from the sale of the Infectious disease division		**1,800,000**	—
Purchase of property, plant and equipment	9	**(339,817)**	(472,140)
Purchase of intangible assets		**(2,354,659)**	(2,806,900)
Net cash used in investing activities		**(894,465)**	(3,278,289)
Financing activities			
Finance costs		**(97,085)**	(36,351)
Proceeds from issue of share capital		**—**	3,264,910
Expenses in connection with share issue		**—**	(195,083)
New sale and finance leasebacks		**40,500**	625,330
Drawdown of overdraft facility		**744,708**	—
Finance lease repayments		**(153,153)**	(173,837)
Net cash from financing activities		**534,970**	3,484,969
Net increase/(decrease) in cash and cash equivalents		**9,324**	(621,817)
Effects of exchange rate movements		**(125,043)**	205
Cash and cash equivalents at beginning of year		**115,719**	737,331
Cash and cash equivalents at end of year		**—**	115,719

COMPANY BALANCE SHEET

as at 31 March 2019

	Note	2019 £	2018 £
ASSETS			
Non-current assets			
Investments	19	**10,002,102**	9,941,118
Intangibles	8	**1,531,786**	1,531,786
Intercompany receivables		**5,879,689**	—
Total non-current assets		**17,413,577**	11,472,904
Current assets			
Trade and other receivables	11	**26,597**	8,570,423
Total current assets		**26,597**	8,570,423
Total assets		**17,440,174**	20,043,327
EQUITY AND LIABILITIES			
Equity			
Issued capital		**20,787,018**	20,787,018
Retained earnings		**(4,571,737)**	(4,607,614)
Total equity		**16,215,281**	16,179,404
Liabilities			
Current liabilities			
Bank overdraft		**1,051,546**	305,486
Trade and other payables	13	**173,347**	3,558,437
Total current liabilities		**1,224,893**	3,863,923
Total liabilities		**1,224,893**	3,863,923
Total equity and liabilities		**17,440,174**	20,043,327

The Company profit in the year was £1,676 (2018: loss of £5,802,146).

William Rhodes
Interim Non-executive Chairman
20 September 2019

Kieron Harbinson
Group Finance Director
20 September 2019

Omega Diagnostics Group PLC
Registered number: 5017761

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2017	5,459,038	12,258,153	1,142,262	18,859,453
Issue of share capital for cash consideration	728,536	2,536,374	—	3,264,910
Expenses in connection with share issue	—	(195,083)	—	(195,083)
Loss for the year ended 31 March 2018	—	—	(5,802,146)	(5,802,146)
Total comprehensive income for the year	—	—	(5,802,146)	(5,802,146)
Share-based payments	—	—	52,270	52,270
Balance at 31 March 2018	6,187,574	14,599,444	(4,607,614)	16,179,404
Profit for the year ended 31 March 2019	—	—	1,676	1,676
Total comprehensive income for the year	—	—	1,676	1,676
Share-based payments	—	—	34,201	34,201
Balance at 31 March 2019	**6,187,574**	**14,599,444**	**(4,571,737)**	**16,215,281**

COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2019

	2019 £	2018 £
Cash flows generated from operations		
Profit/(loss) for the year	**1,676**	(5,802,146)
Adjustments for:		
Taxation	**—**	—
Finance costs	**81,954**	18,659
Finance income	**—**	(77,108)
Operating profit/(loss) before working capital movement	**83,630**	(5,860,595)
Decrease/(increase) in trade and other receivables	**1,803**	(2,487,561)
(Decrease)/increase in trade and other payables	**(29,838)**	1,765,679
Investment write offs	**—**	3,146,771
Share-based payments	**34,201**	52,270
Cash flow from/(used in) operating activities	**89,796**	(3,383,436)
Investing activities		
Finance income	**—**	77,108
Intercompany financing	**(692,918)**	—
Investment in subsidiaries	**(60,984)**	(342,730)
Net cash used in investing activities	**(753,902)**	(265,622)
Financing activities		
Finance costs	**(81,954)**	(18,659)
Proceeds from issue of share capital	**—**	3,264,910
Expenses of share issue	**—**	(195,083)
Drawdown of overdraft facility	**746,060**	—
Net cash from financing activities	**664,106**	3,051,168
Net decrease in cash and cash equivalents	**—**	(597,890)
Cash and cash equivalents at beginning of year	**—**	292,404
Cash and cash equivalents at end of year	**—**	(305,486)

1 Authorisation of financial statements

The financial statements of Omega Diagnostics Group PLC (registered number: 5017761; registered office address: One Fleet Place, London EC4M 7WS) for the year ended 31 March 2019 were authorised for issue by the Board of Directors on 20 September 2019, and the balance sheets were signed on the Board's behalf by William Rhodes 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, with the exception of IFRS 9 and IFRS 15 as disclosed in Note 2 below, 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.

Going concern

The Directors are required to prepare financial statements on a going concern basis unless the Directors either intend to cease trading or have no realistic alternative but to do so. These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the payment of liabilities in the ordinary course of business. The Group realised a profit of £974k for the year ended 31 March 2019 (2018: loss of £7,270k). As at 31 March 2019, the Group had net current assets of £1,185k and an undrawn overdraft facility of £1,255k. Management has negotiated an extension to the overdraft facility, which is now renewable at 30 September 2020.

The Directors have considered the future funding requirements of the Group and have prepared detailed forecasts which take into account its anticipated business activities with regard to its two VISITECT® CD4 products (VISITECT® CD4 350 and VISITECT® CD4 Advanced Disease), its current banking facilities, the principal risks and uncertainties the Group faces and other factors impacting the Group's future performance.

These forecasts extend to September 2020. There are a number of assumptions applied by the Directors underpinning the forecasts which are uncertain and outside of management's control:

Timing of regulatory approvals and associated orders

The forecasts are prepared on the assumption that approval from the Nigerian Ministry of Health (MOH) in relation to the Company's VISITECT® CD4 350 test will be received by November 2019.

The Directors are encouraged that there will be a favourable outcome in respect of the MOH approval, given that an in-country product evaluation in six Nigerian states has completed with the product performing in line with expectations. The evaluation co-ordinator is in the process of submitting a report for review by the MOH and, if successful, the VISITECT® CD4 350 test will be adopted into the national HIV policy in Nigeria.

Committed orders for 20k units of the VISITECT® CD4 Advanced Disease test have been received with other low value orders for the VISITECT® CD4 350 test having already been completed. The fulfilment of these customer orders provides comfort to the Directors that there is a market for the CD4 product range. However, volume sales of both products are intrinsically dependent upon the approval outlined above with management already having received an order for 50k VISITECT® CD4 350 tests contingent upon the receipt of the MOH approval. Any delay in receiving approvals would influence the timing of receipt of significant customer orders.

Short-term working capital funding

The Directors recognise the implications to short-term working capital levels should there be delays in regulatory approval processes and subsequent timing of receipt of orders from customers. Management forecasts highlight a potential funding requirement if regulatory approval and subsequent receipt of purchase orders is delayed.

The Directors have today announced a conditional placing and subscription to raise £1.7 million from existing and new shareholders. This funding is only conditional on shareholder approval at a general meeting on 10 October 2019.

At the date of finalising the financial statements, the material uncertainties identified by the Directors as being outside of their control, that may cast significant doubt on the Group's ability to continue as a going concern, are as follows: the timing of in-country approval from the Nigerian MOH in relation to VISITECT® CD4 350 test, timing and volume of sales orders for both VISITECT® CD4 350 and VISITECT® CD4 Advanced Disease tests and the approval of the proposed equity raise. As a result, these represent material uncertainties, that may cast significant doubt on the Group's ability to continue as a going concern.

2 Accounting policies continued

Going concern continued

Short term working capital funding continued

These financial statements do not include the adjustments that would be required if the Group was unable to continue as a going concern. If the going concern basis of preparation was no longer appropriate, adjustments would be required which would include reducing the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise.

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 where synergies lie 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 historical 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	–	20 years
Software	–	5 years
Licences	–	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.

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:

Leasehold improvements	–	ten years, straight line with no residual value
Plant and machinery	–	three to ten 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 make 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 by the Group and Company carried at original invoice amount less an allowance for any non-collectable or impaired amounts. The Group uses the IFRS 9 ECL model to measure loss allowances at an amount equal to their lifetime expected credit loss. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable.

2 Accounting policies continued

Trade receivables continued

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 IFRS 9, 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 held by the Group and Company are trade and other receivables and cash.

Financial liabilities held by the Group and Company are trade and other payables and bank borrowings.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and loans to subsidiaries.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when: the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a twelve-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Customer credit risk is managed by the Group finance team and is subject to the Group's established policy, procedures and controls relating to customer credit risk management. All new customers are subject to formal take-on procedures which include the first four orders being on a proforma basis. Customers' credit is reviewed on a regular basis with existing trading experiences taken into account when deciding on ongoing terms. The Group has an excellent record in cash collections and consequently has had almost no bad debt in recent years.

The Group defines default based on firstly identifying any trade receivable balances which are approaching 90 days past the due date. At this point Director judgement on a default event being identified is based on a subjective analysis of whether it is thought the customer is likely to pay or not based on previous payment history, length of trading relationship and product ordering patterns – this has been the Group approach for a long number of years which has been highly effective in terms of customer receivable balances.

Any bad debt write offs require senior finance sign off. The Group finance team reviews debtor balances on a weekly basis and at the balance sheet date no expected credit loss has been provided for due to there being no bad debt write offs in 2019 and looking forward into the first six months of 2020 no write offs expected.

A financial asset is deemed to be impaired when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 Accounting policies continued

Financial instruments continued

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 liability is derecognised when the obligation under the liability is discharged or cancelled or expires when 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

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.

Foreign Currency Translation

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. 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 of monetary items 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 other comprehensive income and accumulated in the translation reserve. Any differences 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.

IFRS 15 – Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 – Revenue from Contracts with Customers (as amended in April 2016). IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added into IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), (b) and (c).

IFRS 15 uses the terms "contract asset" and "contract liability" to describe what might more commonly be known as "accrued income" and "deferred income"; however, the standard does not prohibit an entity from using alternative descriptions in the balance sheet. The Group has not adopted the terminology used in IFRS 15 to describe such balances.

The Group's accounting policies for revenue are disclosed below. Revenue within the Group relates to the sale of medical diagnostic kits. Apart from providing more extensive disclosures on the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and financial performance of the Group. This is because, for contracts with customers in which the sale of goods is generally the only performance obligation, adoption of IFRS 15 does not have any significant impact on the Group's revenue and profit or loss since the Group's revenue recognition occurs at a point in time when goods have been despatched.

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 despatched 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 recognised 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.

Sale and leaseback arrangements where substantially all the risks and rewards of ownership are maintained within the Group – the asset remains on the balance sheet with the previous carrying value left unchanged and the proceeds from sale shows as a liability and is treated as a finance lease.

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.

2 Accounting policies continued

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.

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.

Pensions

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 previously operated two defined benefit plans in Germany. Obligations under defined benefit plans were measured at discounted present values by actuaries, while plan assets were recorded at fair value. The operating costs and net interest arising on the plan liability were charged to the income statement and recognised separately. Remeasurement gains and losses, including those arising from the difference between the actual returns and the net interest on plan assets, and from changes in actuarial assumptions, were recognised in other comprehensive income. Following the loss of control arising from the closure of the German subsidiary, the pension plan liability was derecognised.

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 are charged or credited in other comprehensive income or directly to equity if they relate 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 uncertainty and critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the financial information are as follows:

2 Accounting policies continued

Use of estimates and judgements continued

Carrying value 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. Further analysis of the estimates and judgements is disclosed in Note 8 and the other intangible assets section of Note 2 on page 37.

Carrying value 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 2019 will be offset against future profits expected to be generated from the prospects for Allergy and VISITECT® CD4. The carrying value of the deferred tax asset at 31 March 2019 is £1,371,260 (2018: £1,250,082). Further details are contained in Note 14.

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 (IASs/IFRSs)	Effective date for periods commencing
Amendments to References to the Conceptual Framework in IFRS	1 January 2020*
Amendments to IFRS 3 – Business Combinations	1 January 2020*
Amendments to IAS 1 and IAS 8 – Definition of Material	1 January 2020*
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	1 January 2019
IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs – 2015–2017 Cycle	1 January 2019
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.

Ahead of the adoption of IFRS 16 – Leases on 1 April 2019, management has been compiling information to ensure compliance with the new standard on accounting for leases. The standard removes the distinction between operating leases and finance leases and will result in leased assets being recognised as non-current assets representing the right to use the underlying asset with a corresponding liability shown as debt. This will materially gross up the Group balance sheet with the recognition of a new right of use asset which will be depreciated through the income statement and a lease liability on which interest will be charged through the income statement. There will be no change to the reporting of net cash flows.

The Group plans to utilise the modified retrospective method of application on 1 April 2019 and anticipates recognising approximately £1.7 million of lease liabilities and approximately the same amount of right of use assets. The new Ely building (Note 16) is not included because the asset was under construction at the year-end date. Although going forward the aggregate income statement impact of each lease over its whole life will be equivalent to the situation pre-adoption of IFRS 16, the impact of generally straight line profile of operating lease expenses will lead to higher charges being recognised in the income statement in earlier years under IFRS 16 due to the interest on the lease liability being higher in the earlier first years of adoption with correspondingly lower charges through the income statement in later years. Therefore, subject to any material changes in the portfolio of leases, annual operating lease expenses are expected to be replaced by higher levels of depreciation and interest expense such that an adverse impact on profit before tax in the region of £0.1 million is expected in the March 2020 accounts, the year of transition.

The practical expedients expected to be utilised under the modified retrospective approach are that: there will be no restatement of comparative periods; recognition exemptions for leases ending within twelve months of 1 April 2019 and for low value assets; and a single discount rate to a portfolio of leases with reasonably similar characteristics will be applied and under IFRS 16 no impairment review will be required.

For all of the Group's right of use assets the initial lease liability will equal the right of use asset on 1 April 2019.

The Directors have reviewed the requirements of the remaining standards and interpretations listed above and they are not expected to have a material impact on the Group's financial statements in the period of initial application.

3 Adoption of new International Financial Reporting Standards

Four new accounting standards and amendments are applicable for the first time in 2019. They have no material impact on the consolidated financial statements of the Group. These are:

IFRS 15 – Revenue from Contracts with Customers – effective 1 January 2018

3 Adoption of new International Financial Reporting Standards continued

IFRS 9 – Financial Instruments – effective 1 January 2018

IFRS 2 – Classification and Measurement of Share Based Payment Transactions – effective 1 January 2018

IFRIC 22 – Foreign Currency Transactions and Advance Consideration – effective 1 January 2018

IFRS 15 – Revenue from Contracts with Customers – On 1 April 2018 the Group adopted IFRS 15 using the modified retrospective method. Results for reporting periods beginning on or after 1 April 2018 have and will be presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with historical accounting under IAS 18.

The Group has not identified any changes to revenue recognition practices under IFRS 15. The Group's continuing revenue is primarily based on the sale of goods.

The application of IFRS 9 has had no impact on the Group's consolidated statement of comprehensive income or consolidated balance sheet as at 31 March 2019. The assessment has been made based on historical performance as well as by considering the expected future position. Balances previously accounted for as trade and other receivables continue to be financial assets at amortised cost under IFRS 9. Management is satisfied that the expected credit loss is not expected to be material and therefore no expected credit loss provision has been booked.

4 Segment information

For management purposes the Group is organised into three operating divisions: Allergy and autoimmune, Food intolerance, and Infectious disease and Other. There is no aggregation of operating segments. The segmental revenue split is consistent with how the Board reviews revenues on an ongoing basis throughout the year.

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 and Other 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 – Continuing operations

2019	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Total £
Statutory presentation					
Revenue	401,251	8,226,864	351,227	—	8,979,342
Inter-segment revenue	—	(176,722)	(45,864)	—	(222,586)
Total revenue	401,251	8,050,142	305,363	—	8,756,756
Cost of sales	(139,400)	(2,468,212)	(516,815)	—	(3,124,427)
Gross profit	261,851	5,581,930	(211,452)	—	5,632,329
Operating costs	(114,508)	(2,820,935)	(1,578,500)	(1,389,730)	(5,903,672)
Operating profit/(loss) before exceptional items	147,343	2,760,995	(1,789,952)	(1,389,730)	(271,344)
Share-based payment charges	—	—	—	34,201	34,201
Depreciation	7,474	230,163	83,018	—	320,655
Amortisation	441	99,862	15,853	—	116,156
EBITDA	**155,258**	**3,091,020**	**(1,691,081)**	**(1,355,529)**	**199,668**
Share-based payment charges	—	—	—	(34,201)	(34,201)
Depreciation	(7,474)	(230,163)	(83,018)	—	(320,655)
Amortisation	(441)	(99,862)	(15,853)	—	(116,156)
Net finance costs	(102)	(3,311)	(11,706)	(81,955)	(97,074)
Profit/(loss) before tax	147,241	2,757,684	(1,801,658)	(1,471,685)	(368,418)
Share-based payment charges	—	—	—	34,201	34,201
Amortisation	441	99,862	15,853	—	116,156
Adjusted profit/(loss) before tax	**147,682**	**2,857,546**	**(1,785,805)**	**(1,437,484)**	**(218,061)**

4 Segment information continued

Business segment information – Continuing operations continued

2018	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Total £
Statutory presentation					
Revenue	588,426	9,106,780	488,546	—	10,183,752
Inter-segment revenue	(100,541)	(1,550,702)	(203,038)	—	(1,854,281)
Total revenue	487,885	7,556,078	285,508	—	8,329,471
Cost of sales	(239,008)	(2,132,733)	(478,447)	—	(2,850,188)
Gross profit/(loss)	248,877	5,423,345	(192,939)	—	5,479,283
Operating costs	(383,375)	(3,030,531)	(1,238,354)	(2,042,871)	(6,695,131)
Operating (loss)/profit before exceptional items	(134,498)	2,392,814	(1,431,293)	(2,042,871)	(1,215,848)
Share-based payment charges	—	—	—	52,270	52,270
Depreciation	—	170,721	60,469	—	231,190
Amortisation	1,750	101,130	17,133	—	120,013
EBITDA	**(132,748)**	**2,664,665**	**(1,353,691)**	**(1,990,601)**	**(812,375)**
Share-based payment charges	—	—	—	(52,270)	(52,270)
Depreciation	—	(170,721)	(60,469)	—	(231,190)
Amortisation	(1,750)	(101,130)	(17,133)	—	(120,013)
Net finance costs	(333)	(2,970)	(14,372)	(17,925)	(35,600)
Exceptional items	—	—	—	(225,720)	(225,720)
(Loss)/profit before tax	(134,831)	2,389,844	(1,445,665)	(2,286,516)	(1,477,168)
Share-based payment charges	—	—	—	52,270	52,270
Amortisation	1,750	101,130	17,133	—	120,013
Exceptional items	—	—	—	225,720	225,720
Adjusted (loss)/profit before tax	**(133,081)**	**2,490,974**	**(1,428,532)**	**(2,008,526)**	**(1,079,165)**

Corporate consists of centralised corporate costs which are not allocated across the three business divisions. In the prior year costs which were included within corporate costs have now been allocated to the three business segments to better reflect the underlying performance of the segments. Making the same adjustment to the 2018 numbers would move £0.5 million of cost out of corporate costs, with £0.1 million allocated to Allergy and autoimmune, £0.1 million allocated to Food intolerance and £0.3 million allocated to Infectious disease and Other.

The segment assets and liabilities are as follows:

2019	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Group £
Segment assets	8,617,281	7,522,556	5,951,479	12,647	22,103,963
Unallocated assets	—	—	—	—	1,371,260
Total assets	**8,617,281**	**7,522,556**	**5,951,479**	**12,647**	**23,475,223**
Segment liabilities	461,317	384,001	1,307,563	173,347	2,326,228
Unallocated liabilities	—	—	—	—	2,958,353
Total liabilities	**461,317**	**384,001**	**1,307,563**	**173,347**	**5,284,581**

2018	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Group £
Segment assets	7,785,443	7,625,117	6,096,791	28,401	21,535,752
Unallocated assets	—	—	—	—	1,365,801
Total assets	7,785,443	7,625,117	6,096,791	28,401	22,901,553
Segment liabilities	601,885	864,403	1,607,249	203,186	3,276,723
Unallocated liabilities	—	—	—	—	2,502,674
Total liabilities	601,885	864,403	1,607,249	203,186	5,779,397

Unallocated assets comprise cash and deferred taxation. Unallocated liabilities comprise borrowings, other financial liabilities and deferred taxation.

4 Segment information continued

Information about major customers

One customer within the Food intolerance segment accounts for 13.8% of Group revenues.

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.

	2019 £	2018 £
Revenues – continuing operations		
UK	**608,106**	795,685
Germany	**—**	—
Rest of Europe	**2,785,310**	2,848,962
North America	**1,912,781**	1,981,926
South/Central America	**488,891**	291,964
India	**699,624**	674,739
Asia and the Far East	**1,482,321**	891,176
Africa and the Middle East	**779,723**	845,019
	8,756,756	8,329,471

2019	Intangibles £	Property, plant and equipment £	Inventories £	Trade and other receivables £	Total £
Assets					
UK	17,027,164	1,569,581	950,291	2,302,492	21,849,528
India	17,129	—	50,409	186,897	254,435
Unallocated assets	—	—	—	—	1,371,260
Total assets	**17,044,293**	**1,569,581**	**1,000,700**	**2,489,389**	**23,475,223**

2018	Intangibles £	Property, plant and equipment £	Inventories £	Trade and other receivables £	Total £
Assets					
UK	15,024,148	1,708,972	1,719,618	2,669,389	21,122,127
India	5,300	3,961	104,343	300,021	413,625
Unallocated assets	—	—	—	—	1,365,801
Total assets	15,029,448	1,712,933	1,823,961	2,969,410	22,901,553

	2019 £	2018 £
Liabilities		
UK	**1,774,492**	1,566,728
Germany	**429,897**	1,118,556
India	**121,839**	591,439
Unallocated liabilities	**2,958,353**	2,502,674
Total liabilities	**5,284,581**	5,779,397
Capital expenditure		
Allergy and autoimmune	**113,994**	68,183
Food intolerance	**151,828**	314,496
Infectious disease and Other	**73,995**	89,461
Total capital expenditure	**339,817**	472,140
Intangible expenditure		
Allergy and autoimmune	**982,204**	1,725,344
Food intolerance	**512,434**	322,251
Infectious disease and Other	**969,014**	868,596
Total intangible expenditure	**2,463,652**	2,916,191

5 Finance costs

Consolidated	2019 £	2018 £
Interest payable on bank overdraft	**86,849**	21,676
Finance leases	**10,236**	14,675
	97,085	36,351

6 Taxation

Consolidated	2019 £	2018 £
(a) Tax credited/(charged) in the income statement		
Current tax – current year	**—**	—
Current tax – prior year adjustment	**121,832**	(59,447)
Deferred tax – current year	**(92,833)**	291,078
Deferred tax – prior year adjustment	**(237,262)**	33,773
	(208,263)	265,404

Included in the 2019 numbers above is a charge of £237,154 in relation to the disposal of the legacy infectious disease business. Apart from the charge above there was no other tax charged or credited on discontinued operations in either 2019 or 2018. The discontinued operations comprise the allergy business in Germany, the manufacturing operation in India and the legacy infectious disease business.

(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax on actuarial loss on retirement benefit obligations – discontinued operations	**—**	49,105
Deferred tax on net exchange adjustments – continuing operations	**(91)**	(11,988)
Total tax (charge)/credit	**(91)**	37,117

Consolidated	2019 £	2018 £
(c) Reconciliation of total tax charge/(credit)		
Factors affecting the tax charge/(credit) for the year:		
Profit/(loss) before tax	**1,182,516**	(6,913,963)
Effective rate of taxation	**19%**	19%
Profit/(loss) before tax multiplied by the effective rate of tax	**224,678**	(1,313,653)
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**45,632**	25,135
Research and development and deferred tax credits	**(126,571)**	(148,579)
Losses in year not recognised (relating to closed German and India operations)	**127,048**	168,733
Tax repayment on surrender of tax losses/tax underprovided	**115,430**	25,674
Exceptional items (relating to closed German and India operations)	**(172,820)**	1,075,838
Adjustment due to different overseas tax rate	**7,124**	(112,079)
Impact of UK rate change on deferred tax	**(12,258)**	13,527
Tax charge/(credit) for the year	**208,263**	(265,404)

In 2019 the exceptional items for the write off of net liabilities are not chargeable to tax. In 2018 the exceptional items for the asset write offs are not deductible for tax.

The main UK corporation tax rate reduced from 20% to the current rate of 19% on 1 April 2017. The Finance Act 2016 includes legislation which will reduce the tax rate further to 17% from 1 April 2020. This became law when the Finance Act 2016 received Royal Assent on 15 September 2016. As all rate reductions were substantively enacted at the balance sheet date, deferred tax has been recognised at the applicable rates when timing differences are expected to reverse.

7 Revenue and expenses

Consolidated – Continuing operations	2019 £	2018 £
Revenue and other income		
Revenue – sales of goods	**8,756,756**	8,329,471
Other income	**324,794**	31,080
Finance income	**11**	751
Total revenue and other income	**9,081,561**	8,361,302

Other income relates to grant funding from Scottish Enterprise.

7 Revenue and expenses continued

Consolidated – Continuing operations	2019 £	2018 £
Operating profit is stated after charging/(crediting):		
Material costs	**1,828,966**	1,719,705
Depreciation	**320,655**	231,190
Capitalised depreciation	**(108,993)**	(109,290)
Amortisation of intangibles	**116,156**	120,013
Net foreign exchange losses	**11,626**	83,634
Research costs	**23,623**	145,456
Operating lease rentals	**482,567**	480,893
Share-based payments	**34,201**	52,270
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	**55,000**	55,000
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**	5,000

Audit fees above relate to total operations.

The discontinued operations comprise the allergy business that was closed down and operated by our German subsidiary, Omega Diagnostics GmbH (placed into insolvency in September 2018), the manufacturing operations in Pune, India (infectious disease) that were closed in January 2018 and operated by our India subsidiary, Omega Dx (Asia) Pvt Limited, and the legacy infectious disease business that was sold by Omega Diagnostics Limited for £1.975 million in June 2018.

Exceptional items summary

	2019 Omega GmbH £	2018 Omega GmbH/ Omega Dx/Omega Diagnostics Limited £
Intangible assets	**—**	(3,299,760)
Fixed assets	**—**	(1,176,556)
Deferred tax asset	**—**	—
Stock	**—**	(730,138)
Debtors	**—**	(243,283)
Release of prior year asset provision	**124,176**	—
Lease	**142,125**	(212,569)
Pension write off	**317,294**	—
Trade creditors	**67,061**	—
Other creditors	**150,105**	—
Net exchange adjustments	**(41,886)**	—
Andrew Shepherd settlement	**—**	(225,720)
Total	**758,875**	(5,888,026)

	Sale of legacy Infectious disease business £
Sales proceeds	1,800,000
Deferred consideration	175,000
Assets sold:	
Stock	626,823
Fixed assets	50,383
Goodwill	332,986
Legal fees	63,000
Total gain on sale	**901,808**
Total exceptional gains for the year	**1,660,683**

The exceptional items in 2019 are credits to the consolidated statement of comprehensive income, comprised of a write-back of net liabilities as well as the release of an overprovision of the asset values from the prior year in relation to Omega GmbH of £758,875 and a gain on the sale of the legacy Infectious disease business of £901,808 – total exceptional credits in 2019 of £1,660,683.

The write back of net liabilities above is as a result of Omega GmbH being placed into insolvency in September 2018.

7 Revenue and expenses continued

Exceptional items summary continued

The exceptional items in 2018 were in the main providing against the asset values in Omega GmbH of £4,677,799 following the decision to close the business. The closure of the manufacturing facility in India led to asset write offs of £604,450 and the creation of an onerous lease provision of £212,569, totalling £817,019. The final elements of the exceptional items in 2018 were the write off of an intangible balance in the UK of £167,488 and the settlement costs of £225,720 in relation to the previous CEO – total exceptional costs in 2018 of £5,888,026.

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	**2019 Number**	2018 Number
Operations	**74**	100
Management and administration	**78**	97
Employee numbers	**152**	197

Company	**2019 Number**	2018 Number
Operations	**—**	—
Management and administration	**3**	3
Employee numbers	**3**	3

Their aggregate remuneration comprised:

Consolidated	**2019 £**	2018 £
Wages and salaries	**6,033,842**	6,787,786
Social security costs	**620,129**	825,936
Pension costs	**229,403**	246,633
Share-based payments	**34,201**	52,270
	6,917,575	7,912,625

Company	**2019 £**	2018 £
Wages and salaries	**708,000**	684,113
Social security costs	**93,053**	89,901
Pension costs	**33,500**	33,031
Share-based payments	**25,180**	37,889
	859,733	844,934

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. Performance criteria include three-year vesting periods and share price hurdles and are detailed in the Directors' Remuneration Report.

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.

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.

7 Revenue and expenses continued

Equity-settled share-based payments continued

Consolidated and Company continued

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 260,000 were granted at fair value of 11.95 pence per share. 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:

	2019 Number	**2019 WAEP**	2018 Number	2018 WAEP
Outstanding 1 April	**10,998,695**	**20p**	11,023,695	20p
Granted during the year under the EMI Option Scheme	**260,000**	**12p**	50,000	15.3p
Exercised during the year	**—**	**—**	(75,000)	16.2p
Lapsed during the year under the EMI Option Scheme	**(2,338,289)**	**—**	—	—
Outstanding at 31 March 2019	**8,920,406**	**20p**	10,998,695	20p
Exercisable at 31 March 2019	**8,660,406**	**—**	9,468,695	—

In the prior year the average market value of the 75,000 shares exercised was 21.27 pence.

The option exercise prices range from 10.62 pence to 30.5 pence.

The following table lists the inputs to the model used for the years ended 31 March 2019 and 31 March 2018:

	EMI Option Scheme and Unapproved Option Schemes	
	2019	2018
Dividend yield	**—**	—
Expected volatility	**56%**	34%
Risk-free interest rate	**5%**	5%
Weighted average remaining contractual life	**5.1 years**	5.3 years
Weighted average share price	**11.95p**	15.25p
Exercise price	**11.95p**	15.25p
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	**2019 £**	2018 £
Fees	**69,152**	75,000
Emoluments	**487,187**	476,064
	556,339	551,064
Contributions to personal pension	**24,000**	23,531
	580,339	574,595
Members of a defined contribution pension scheme at the year end	**3**	3

Information in respect of individual Directors' emoluments is provided in the Directors' Remuneration Report on pages 19 and 20.

8 Intangibles

	Goodwill £	Licences/ software £	Supply arrangements £	Technology assets £	Customer relationships £	Development costs £	Total £
Cost							
At 31 March 2017	4,703,165	1,765,753	533,836	2,150,731	1,245,524	7,872,250	18,271,259
Additions	—	25,505	—	—	—	—	25,505
Additions internally generated	—	—	—	—	—	2,890,686	2,890,686
Currency translation	38,458	3,629	15,171	4,988	32,554	13,001	107,801
Asset provisions	(1,391,745)	(172,101)	(549,007)	(180,725)	(1,178,075)	(1,589,722)	(5,061,375)
At 31 March 2018	3,349,878	1,622,786	—	1,974,994	100,003	9,186,215	16,233,876
Additions	—	13,651	—	—	—	—	13,651
Additions internally generated	—	—	—	—	—	2,450,001	2,450,001
Currency translation	—	225	—	—	—	—	225
Disposals	(332,986)	—	—	—	—	—	(332,986)
At 31 March 2019	**3,016,892**	**1,636,662**	**—**	**1,974,994**	**100,003**	**11,636,216**	**18,364,767**
Accumulated amortisation							
At 31 March 2017	—	218,604	533,836	1,114,046	816,697	—	2,683,183
Amortisation charge in the year	—	15,594	—	98,748	117,880	6,249	238,471
Currency translation	—	4,526	15,171	4,766	20,284	(359)	44,388
Asset provisions	—	(179,399)	(549,007)	(172,460)	(854,858)	(5,890)	(1,761,614)
At 31 March 2018	—	59,325	—	1,045,100	100,003	—	1,204,428
Amortisation charge in the year	—	17,264	—	98,748	24,717	—	140,729
Currency translation	—	34	—	—	(24,717)	—	(24,683)
At 31 March 2019	**—**	**76,623**	**—**	**1,143,848**	**100,003**	**—**	**1,320,474**
Net book value							
At 31 March 2019	**3,016,892**	**1,560,039**	**—**	**831,146**	**—**	**11,636,216**	**17,044,293**
At 31 March 2018	3,349,878	1,563,461	—	929,894	—	9,186,215	15,029,448
At 31 March 2017	4,703,165	1,547,149	—	1,036,685	428,827	7,872,250	15,588,076

The net book value of goodwill at 31 March 2019 of £3,016,892 all relates to the food intolerance segment.

Of the development costs balance above of £11,636,216 (2018: £9,186,215), costs of £3,815,177 (2018: £2,859,814) relate to the VISITECT® CD4 project, costs of £6,854,165 (2018: £5,871,961) relate to the Allergy project and costs of £966,874 (2018: £454,440) relate to Food intolerance projects. Updates on the status of the development projects are detailed in the Strategic Report.

Amortisation of all three development cost intangibles will start in the coming year ending 31 March 2020 over a 20-year period. Amortisation of intangibles of £140,729 is included within administration costs in the consolidated statement of comprehensive income.

Of the licences/software balance above, £1,531,786 (2018: £1,531,786) is held on the balance sheet of the Company and relates to the IDS and CD4 licences.

£108,993 (2018: £109,290) of the additions internally generated in the year relates to capitalised depreciation on assets utilised for development activities.

The asset provisions in March 2018 relate to the exceptional items in Note 7 and relate to write offs of intangible assets in Omega GmbH and Omega Dx, which were written down to nil.

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 Omega Diagnostics Limited amounts to £3,016,892 (2018: £3,016,892) and for Co-Tek amounts to £Nil (2018: £332,986) with the Co-Tek goodwill written off as part of the sale of the legacy Infectious disease division in June 2018.

The recoverable amount of Omega Diagnostics Limited 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 2019 and the financial budget approved by the Board covering the period to 31 March 2020, with projected cash flows for the years ending 31 March 2021 to 31 March 2024 based on a growth rate of 3% per annum.

The key assumptions used in the budget for Omega Diagnostics Limited are the product revenues and margins which are predicated on the continued success of Foodprint® and Food Detective®, both having a strong track record of historical performance.

In line with IAS 36 a value in use calculation has been prepared to support both the VISITECT® CD4 and Allergy project costs. The recoverable amount for VISITECT® CD4 has been determined based on projections through to March 2024 assuming an increased number of unit sales each year as the product achieves market acceptance and achieves product registration in individual countries.

8 Intangibles continued

Impairment testing of goodwill and intangibles continued

The recoverable amount for the Allergy project has been determined based on projections through to March 2024 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.

The average growth rates applied range from 2%-3% (2018: 2%-3%) with a long-term growth rate of 2% (2018: 2%) applied in the terminal value calculation. The growth rates used in all cases are consistent with management estimates reflecting current market assessments.

In all cases, the Company also makes assumptions with regard to having sufficient production personnel to cope with increased volumes. The discount rate applied to cash flows is 12.94% (2018: 12.94%) for the Group, which takes account of other risks specific to each segment such as currency risk, geography risk 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 from a market participant perspective. As a result of our impairment review, 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 at 31 March 2019. The Directors believe that any reasonably possible further change in the key assumptions, as detailed above, 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 2017	703,524	1,060,220	4,350,712	8,251	6,122,707
Additions	—	243,879	228,261	—	472,140
Disposals	—	—	(107,314)	(23,583)	(130,897)
Currency translation	19,993	(50,324)	14,390	1,007	(14,934)
Asset provisions	(723,517)	(415,004)	(875,288)	14,325	(1,999,484)
At 31 March 2018	—	838,771	3,610,761	—	4,449,532
Additions	—	120,217	219,600	—	339,817
Disposals	—	(20,450)	(107,594)	—	(128,044)
Currency translation	—	—	(6,522)	—	(6,522)
At 31 March 2019	**—**	**938,538**	**3,716,245**	**—**	**4,654,783**
Accumulated depreciation					
At 31 March 2017	120,244	289,208	2,761,692	8,251	3,179,395
Charge in the year	31,294	82,416	381,174	511	495,395
Disposals	—	—	(105,673)	(23,583)	(129,256)
Currency translation	3,381	(687)	10,806	493	13,993
Asset provisions	(154,919)	(13,409)	(668,928)	14,328	(822,928)
At 31 March 2018	—	357,528	2,379,071	—	2,736,599
Charge in the year	—	176,707	264,747	—	441,454
Disposals	—	(5,059)	(72,602)	—	(77,661)
Currency translation	—	—	(15,190)	—	(15,190)
At 31 March 2019	**—**	**529,176**	**2,556,026**	**—**	**3,085,202**
Net book value					
At 31 March 2019	**—**	**409,362**	**1,160,219**	**—**	**1,569,581**
At 31 March 2018	—	481,243	1,231,690	—	1,712,933
At 31 March 2017	583,280	771,012	1,589,020	—	2,943,312

£108,993 (2018: £109,290) 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 2019 is £382,154 (2018: £439,983).

10 Inventories

	2019 £	2018 £
Raw materials	**604,158**	1,172,512
Work in progress	**211,536**	291,878
Finished goods and goods for resale	**185,006**	359,571
	1,000,700	1,823,961

11 Trade and other receivables

Consolidated	2019 £	2018 £
Trade receivables	**1,748,495**	2,305,964
Less provision for impairment of receivables	**—**	—
Trade receivables – net	**1,748,495**	2,305,964
Prepayments	**176,290**	280,733
Other receivables	**564,604**	382,713
	2,489,389	2,969,410

The Directors consider that the carrying amount of trade receivables and other receivables approximates their fair value. 100% of trade receivable balances at the year end relate to contracted income from customers.

Company	2019 £	2018 £
Prepayments	**10,663**	14,045
Other receivables	**15,934**	14,355
Due from subsidiary companies	**—**	8,542,023
	26,597	8,570,423

Analysis of trade receivables

Consolidated	2019 £	2018 £
Neither impaired nor past due	**1,350,554**	1,335,832
Past due but not impaired	**397,941**	970,132

Company	2019 £	2018 £
Neither impaired nor past due	**—**	8,542,023

Ageing of past due but not impaired trade receivables

	2019 £	2018 £
Up to three months	**241,461**	877,889
Between three and six months	**131,800**	85,691
More than six months	**24,680**	6,552

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.

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

12 Interest-bearing loans and borrowings and financial instruments

Consolidated	2019 £	2018 £
Current		
Obligations under finance leases	**98,574**	154,049
Bank overdraft	**744,708**	—
	843,282	154,049
Non-current		
Obligations under finance leases	**78,478**	728,830
	78,478	728,830

The Directors consider that the carrying amount of 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:

	2019 £	2018 £
Future minimum payments due:		
Not later than one year	**105,020**	223,297
After one year but not more than five years	**85,795**	450,353
After five years	**—**	704,220
	190,815	1,377,870
Less finance charges allocated to future periods	**(13,763)**	(494,991)
Present value of minimum lease payments	**177,052**	882,879
The present value of minimum lease payments is analysed as follows:		
Not later than one year	**98,574**	154,049
After one year but not more than five years	**78,478**	252,724
After five years	**—**	476,106
	177,052	882,879
Changes in liabilities:		
Opening finance lease obligations	**882,879**	431,384
New sale and finance leasebacks	**40,500**	625,330
GmbH lease written off	**(593,174)**	—
Less finance lease repayments	**(153,153)**	(173,835)
Closing finance lease obligations	**177,052**	882,879
Bank overdraft	**744,708**	—
	921,760	882,879

The Company bankers, the Bank of Scotland, hold a floating charge over the whole assets of the Company. A cross guarantee is also in place between Omega Diagnostics Group PLC and its subsidiaries. The finance lease in relation to Omega GmbH was written off following the closure of the German business.

13 Trade and other payables

Consolidated	2019 £	2018 £
Trade payables	**548,325**	1,436,159
Social security costs	**180,688**	232,801
Accruals and other payables	**732,960**	933,109
	1,461,973	2,602,069

In the current year Scottish Enterprise grant funding (in relation to the Allergy and VISITECT CD4 development projects) totalling £864,255 (2018: £357,360) 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.

Included within accruals and other payables is £16,351 (2018: £212,569) in relation to the facility lease obligation in India.

Following the decision by Omega Diagnostics Group PLC (ODG) to place Omega Diagnostics GmbH ("GmbH") into insolvency, formal proceedings were lodged in the German civil court on 1 September 2018 and a permanent administrator was appointed. The administrator's role is to protect the creditors of GmbH and in this regard, he can review transactions between GmbH and other group companies for the period beginning twelve months before the insolvency commenced, to see if any creditor has been disadvantaged. In this period, there were intercompany cash transactions between ODG and GmbH through a loan account which operated as a current account through which payments and repayments were made between ODG and GmbH. In September 2017, GmbH made a repayment to ODG of €500k, subsequent to which ODG made payments to GmbH totalling €400k up to March 2018. In February 2019, the administrator to GmbH wrote an out of court letter to ODG's German lawyer outlining why it believed it had a claim on ODG for repayment of the €500k. In March 2019, ODG's German lawyer responded to the administrator outlining why ODG's exposure is limited to €100k. The relevant parties remain in discussion and ODG is carrying a provision, which, in the opinion of the Directors, is sufficient to cover any claim that might arise. The information usually provided by IAS 37 – Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to seriously prejudice the position of the Group in the dispute.

13 Trade and other payables continued

Company	2019 £	2018 £
Trade payables	**56,035**	72,596
Accruals and other payables	**117,312**	130,589
Due to subsidiary companies	**—**	3,355,252
	173,347	3,558,437

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 Balance sheet		Consolidated Statement of Comprehensive Income	
	2019 £	2018 £	2019 £	2018 £
Temporary differences	**69,863**	125,790	**(7,406)**	8,151
Tax losses carried forward	**1,301,397**	1,124,292	**250,508**	114,459
	1,371,260	1,250,082	**243,102**	122,610
The deferred tax liability is made up as follows:				
Fair value adjustments on acquisition	**126,269**	145,029	**(18,760)**	(68,182)
Accelerated capital allowances	**201,894**	166,126	**35,768**	(20,566)
Capitalised research and development	**1,708,430**	1,229,946	**513,051**	(75,798)
Other timing differences	**—**	78,694	**(78,694)**	21,752
	2,036,593	1,619,795	**451,365**	(142,794)
Net deferred tax liability / P&L Tax	**665,333**	369,713	**(208,263)**	265,404

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 asset at 31 March 2019 will be offset against future profits expected to be generated from sales of the Allergy and VISITECT® CD4 tests as well as the growing food sales through our subsidiary in India. The commercial launch of the Allergy tests by our distribution partner, IDS, in March 2019 as well as the plans to further develop the test menu provide comfort that sales revenues and profits will be achieved in the coming years. The CE marking of the Groups CD4 tests and significant progress in obtaining in country registration and regulatory approvals again give confidence that sales revenues and profits will be generated. Sales of food products in India have been growing significantly and the commercial operation is expected to be profitable in 2020.

The deferred tax liability is made up as follows:

Consolidated	2019 £	2018 £
Fair value adjustments on acquisition	**126,269**	145,029
Accelerated capital allowances	**201,894**	166,126
Capitalised research and development	**1,708,430**	1,229,946
Other timing differences	**—**	78,694
	2,036,593	1,619,795

15 Share capital

Company	2019 number	2018 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 of the year	**126,959,060**	108,745,669
Issued during the year	**—**	18,213,391
At the end of the year	**126,959,060**	126,959,060
Issued and fully paid non-participating deferred share capital		
At the beginning and end of the year	**123,245,640**	123,245,640

During the year ended 31 March 2019, the Company granted options over 260,000 ordinary shares at an average exercise price of 12.10 pence per share. The options will expire if not exercised within ten years of the date of grant.

On 22 May 2019 the Company issued 6,347,950 new ordinary shares at 10 pence each raising £634,975 before expenses, taking the total number of shares in issue to 133,307,010.

16 Commitments and contingencies

Operating lease commitments

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

Consolidated	2019 £	2018 £
Land and buildings		
Within one year	**571,660**	433,771
Within two to five years	**3,110,355**	359,842
After five years	**14,358,135**	—
Other		
Within one year	**28,505**	121,288
Within two to five years	**46,794**	229,180
After five years	**—**	—

Land and buildings leases in force for Omega Diagnostics Limited premises in Alva, Scotland, extend to 30 June 2021. The land and buildings leases in force for the premises of Omega Diagnostics Limited in Ely, England, extend to December 2019. Omega Diagnostics Limited, in relation to a new facility in Ely, signed an agreement for lease in January 2018. A full 25-year lease will be entered into when the building is complete – best estimate being October 2019 which the future lease payments above are based on. Of the amounts detailed above £14,875,000 relate to the lease costs for the new Ely facility. The land and buildings leases in force for the Omega Dx (Asia) facility in Pune extend to May 2019. An onerous lease provision of £212,569 was created for the Pune lease in the prior year and as at 31 March 2019 was £16,351 – this was fully released in April 2019.

Other leases are in force for office equipment items and extend to time periods ranging from April 2019 to January 2023. The leases may be extended at the expiry of their terms.

Performance bonds

The Group has performance bonds and guarantees in place amounting to £60,000 at 31 March 2019 (2018: £242,863).

17 Related party transactions

Remuneration of key personnel

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

	2019 £	2018 £
Short-term employee benefits	**1,522,424**	1,783,574
Share-based payments	**27,299**	50,750
Post-employment benefits	**63,852**	75,567
	1,613,575	1,909,891

Included within short-term employee benefits are amounts paid to MBA Consultancy of £17,069 (2018: £25,000), a company controlled by David Evans, and £50,000 (2018: £50,000) paid to Third Day Advisors, a company controlled by William Rhodes.

17 Related party transactions continued

Other related party transactions

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

	2019 £	2018 £
Balance at 1 April 2018	**5,186,771**	4,424,050
Charges to subsidiary companies	**1,385,836**	2,392,402
Transfers of cash to subsidiary companies	**(692,918)**	(1,629,681)
Balance at 31 March 2019	**5,879,689**	5,186,771

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.

(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.

(b) Defined benefit schemes

In prior years the Group operated defined benefit schemes for the Group's German employees. Following the decision to close the German business these plans and the associated costs are no longer recognised in the Group accounts. As a result, the plan assets and liabilities were written off in the current year. No actuarial valuation was undertaken for the period before closure of the German business as the valuation was routinely undertaken at the end of the financial year. Management do not consider the period for which the actuarial valuation was not undertaken to be material.

	2019	2018
Discount rate	**—**	1.75%
Future salary increases	**—**	2.50%
Future pension increases	**—**	1.75%
Price inflation	**—**	1.75%

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

	2019 £	2018 £
Defined benefit obligation	**—**	(2,879,516)
Fair value of plan assets	**—**	2,562,222
Net liability	**—**	(317,294)

(ii) The amounts charged to operating profit:

	2019 £	2018 £
Current service costs	**—**	76,907
Interest cost on the defined benefit obligation	**—**	51,028
Interest income on plan assets	**—**	(51,007)
Total included in employee benefits expense	**—**	76,928

The current service costs for the year, £Nil (2018: £76,907), have been included in administration costs.

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

	2019 £	2018 £
Actuarial loss arising during the period	**—**	(97,390)
Return on plan assets	**—**	29,399
Total actuarial loss on pensions	**—**	(67,991)

18 Retirement benefit obligations continued

(b) Defined benefit schemes continued

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

	2019 £	2018 £
Opening defined benefit obligation	—	2,505,629
Current service cost	—	76,907
Interest cost	—	51,028
Actuarial loss/(gain) due to:		
Changes in demographic assumptions	—	97,390
Changes in financial assumptions	—	131,660
Exchange differences on foreign plans	—	71,204
Benefits paid	—	(54,302)
Closing defined benefit obligation	—	2,879,516

(v) Changes in plan assets during the year:

	2019 £	2018 £
Opening fair value of plan assets	—	2,448,430
Interest income	—	51,007
Return on plan assets	—	(29,399)
Contributions by employer	—	76,907
Exchange differences on foreign plans	—	69,579
Benefits paid	—	(54,302)
Closing fair value of plan assets	—	2,562,222

Fair value of plan assets:

	2019			2018		
	Quoted £	Unquoted £	Total £	Quoted £	Unquoted £	Total £
Equities	—	—	—	387,818	—	387,818
Bonds/debt instruments	—	—	—	1,374,990	—	1,374,990
Cash/other	—	—	—	799,414	—	799,414
Total value of plan assets	—	—	—	2,562,222	—	2,562,222

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

	2019	2018
Equities	—	15%
Bonds/debt instruments	—	54%
Cash/other	—	31%

19 Investments

Company

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

	Country of incorporation	2019 £	2018 £
Investment in Omega Diagnostics Limited[1]	UK	**1,752,884**	1,752,884
Investment in Genesis Diagnostics Limited[2]	UK	**1,845,066**	1,845,066
Investment in Cambridge Nutritional Sciences Limited[2]	UK	**4,034,110**	4,034,110
Investment in Omega (South West) Limited[3]	UK	**480,978**	480,978
Investment in Bealaw (692) Limited[3]	UK	**1**	1
Investment in Bealaw (693) Limited[3]	UK	**1**	1
Investment in Omega Diagnostics GmbH[4]	Germany	**—**	—
Investment in Omega Dx (Asia)[5]	India	**1,889,062**	1,828,078
		10,002,102	9,941,118

The Company invested a further £60,984 in Omega Dx (Asia), taking the total investment to £2,493,512. At the prior year end the investment was written down by £604,450, representing the exceptional asset write offs, taking the carried forward investment value to £1,889,062.

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

Omega (South West) Limited, Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited are exempt from audit under section 479A of the Companies Act 2006.

19 Investments continued

Company continued

The Company's investment in Omega Diagnostics GmbH was written down to £Nil in the prior year.

(1) Registered office address – Omega House, Hillfoots Business Village, Alva, Clackmannanshire FK12 5DQ.

(2) Registered office address – Eden Research Park, Henry Crabb Road, Littleport, Cambridgeshire CB6 1SE.

(3) Registered office address – One Fleet Place, London EC4M 7WS.

(4) Registered office address – Herrengraben 1, 21465, Reinbek.

(5) Registered office address – 508, 5th Floor, Western Edge 1, Kanakia Spaces, Borivali East, Mumbai.

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.

	2019 £	2018 £
Profit/(loss) attributable to equity holders of the Group	**974,253**	(7,269,597)

	2019 number	2018 number
Basic average number of shares	**126,959,060**	121,470,093
Share options	**163,517**	1,346,731
Diluted weighted average number of shares	**127,122,577**	122,816,824

Adjusted earnings per share on profit for the year

The Group presents adjusted earnings per share, which are calculated by taking adjusted (loss)/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.

	2019 £	2018 £
Adjusted loss before taxation	**(303,237)**	(733,550)
Tax credit	**28,891**	265,404
Adjusted loss attributable to equity holders of the Group	**(274,346)**	(468,146)

The 2019 tax credit of £28,891 is derived from the total tax charge in the year of (£208,263) and deducting the tax charge of (£237,154) in relation to exceptional items giving the tax credit of £28,891.

21 Financial instruments

The Group's principal financial instruments comprise finance leases, a bank overdraft 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	**Financial assets at amortised cost £**	**Total £**
2019		
Trade receivables	1,748,495	1,748,495
	1,748,495	**1,748,495**

Assets as per the consolidated balance sheet	Financial assets at amortised cost £	Total £
2018		
Trade receivables	2,305,964	2,305,964
Cash and cash equivalents	115,719	115,719
	2,421,683	2,421,683

21 Financial instruments continued

Assets as per the Company balance sheet	Financial assets at amortised cost £	Total £
2019		
Due from subsidiary companies	5,879,689	5,879,689
	5,879,689	**5,879,689**

Assets as per the Company balance sheet	Financial assets at amortised cost £	Total £
2018		
Due from subsidiary companies	8,542,023	8,542,023
	8,542,023	8,542,023

Liabilities as per the consolidated balance sheet	Amortised cost £	Total £
2019		
Trade payables	548,325	548,325
Obligations under finance leases	177,135	177,135
	725,460	**725,460**

Liabilities as per the consolidated balance sheet	Amortised cost £	Total £
2018		
Trade payables	1,436,159	1,436,159
Obligations under finance leases	882,879	882,879
	2,319,038	2,319,038

Liabilities as per the Company balance sheet	Amortised cost £	Total £
2019		
Trade payables and amounts due to subsidiary companies	**56,035**	**56,035**

Liabilities as per the Company balance sheet	Amortised cost £	Total £
2018		
Trade payables and amounts due to subsidiary companies	3,427,848	3,427,848

21 Financial instruments continued

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 2019 (and 31 March 2018) 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 rupee.

	Decrease in currency rate	Effect on profit before tax £	Effect on equity £
2019			
Trade and other receivables	**5%**	**43,247**	**—**
Trade and other payables	**5%**	**(31,101)**	**—**
Cash and cash equivalents	**5%**	**1,219**	**—**
2018			
Trade and other receivables	5%	(27,084)	—
Trade and other payables	5%	(44,705)	—
Cash and cash equivalents	5%	16,609	—

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

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:

	2019 Trade receivables £	2018 Trade receivables £
UK/Europe	**841,839**	1,122,804
North America	**275,000**	—
South/Central America	**147,171**	498,218
Asia and the Far East	**468,622**	314,082
Africa and the Middle East	**15,863**	370,860
	1,748,495	2,305,964

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.

21 Financial instruments continued

Financial risk management continued

Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2019 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 £	>5 years £	Total £
2019					
Trade payables	548,325	—	—	—	548,325
Obligations under finance leases	22,173	82,847	85,795	—	190,815
Bank overdraft	744,708	—	—	—	744,708
	1,315,206	**82,847**	**85,795**	**—**	**1,483,848**
2018					
Trade payables	1,436,159	—	—	—	1,436,159
Obligations under finance leases	40,407	175,645	457,598	704,220	1,377,870
	1,476,566	175,645	457,598	704,220	2,814,029

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2019 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 £
2019				
Trade payables and amounts due to subsidiary companies	56,035	—	—	56,035
Bank overdraft	1,051,546	—	—	1,051,546
	1,107,581	**—**	**—**	**1,107,581**
2018				
Trade payables and amounts due to subsidiary companies	3,427,848	—	—	3,427,848
Bank overdraft	305,486	—	—	305,486
	3,733,334	—	—	3,733,334

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 £
2019		
Cash and cash equivalents	**25**	**(786)**
2018		
Cash and cash equivalents	25	1,066

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 £
2019		
Cash and cash equivalents	**25**	**(1,696)**
2018		
Cash and cash equivalents	25	(16)

21 Financial instruments continued

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 2019 and 31 March 2018. 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.

All financial assets and liabilities are classified as level 2 given they are short term and therefore the current value is an approximate for fair value. The fair value of the lease liability has been determined by discounting cash flows at prevailing market rates and the monetary value is considered to be materially the same as the current value.

The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2019 and 31 March 2018 represents the Group's maximum exposure to credit risk.

22 Subsequent events

On 22 May 2019 the Company issued 6,347,950 new ordinary shares at 10 pence each raising £634,975 before expenses, taking the total number of shares in issue to 133,307,010. The Company has recently renewed a £2.0 million overdraft facility with the Bank of Scotland until June 2020.

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 22 October 2019 at 11am 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 2019.
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 elect Mr Jeremy Millard as a Director of the Company.
4. To re-elect Mr Kieron Harbinson 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 £2,004,093.44 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 2020 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 £300,614.00,

   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 2020, 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
20 September 2019

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 11am on 20 October 2019 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 133,307,010 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 133,307,010 as at the date of this Annual Report. Conditional upon the passing of shareholder resolutions at the general meeting on 10 October 2019 and completion of the Fundraising announced on 23 September 2019, the issued voting share capital will increase to 150,307,010 ordinary shares of 4 pence each and will be 150,307,010 at the date of the meeting, subject to completion of the Fundraising.

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 763030 (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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Registered number: 5017761

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