**6 August 2018**

**OMEGA DIAGNOSTICS GROUP PLC**
**("Omega" or the "Company" or the "Group")**

**FINAL RESULTS**
**FOR THE YEAR ENDED 31 MARCH 2018**

Omega (AIM: ODX), the medical diagnostics company focused on allergy, food intolerance and infectious disease, announces its audited results for the year ended 31 March 2018.

Omega is one of the UK's leading companies in the fast growing area of food intolerance, operating in markets supplying tests for allergies and autoimmune diseases as well as specific infectious diseases. The Company is able to do this through a strong distribution network in over 100 countries, a direct presence in India, and with a growing network of global partnerships.

**Financial Highlights:**

- Turnover down 5% to £13.55m (2017: £14.25m)
  - Food intolerance revenue down 6% to £7.56m (2017: £8.00m)
  - Allergy and autoimmune revenue down by 8% to £3.31m (2017: £3.59m)
  - Infectious disease/other revenue up 1% to £2.68m (2017: £2.66m)
- Gross profit down 11% to £8.19m (2017: £9.22m)
- Exceptional items of £6.51m (2017: £nil), primarily due to the closure of Germany and Pune sites as detailed in the Financial Review below
- Statutory loss for the year of £7.27m (2017: profit of £0.71m)
- Adjusted loss before tax* of £0.73m (2017: profit of £1.13m)
- Adjusted EPS (0.4p) (2017: 1.1p)
- Cash at the period end of £0.12m (2017: £0.74m)

* Adjusted for exceptional items, IAS19 pension charges, amortisation of intangible assets and share based payment charges.

**Operational & Post-Period End Highlights:**

- A focus on VISITECT® CD4, Allersys and Food Intolerance following strategic review
  - Closure of Germany and Pune sites eliminating associated losses
  - Disposal of legacy Infectious disease business to Novacyt SA for up to £2.175m
- CE marking of VISITECT® CD4 test with distribution agreements signed for Nigeria, Ghana, Zambia and Zimbabwe
- Formal optimisation phase entered for VISITECT® CD4 test for identifying advanced HIV disease as announced separately today
- Global allergy distribution agreement with IDS and 53 CE-marked allergens to run on the fully automated IDS system
- Colin King appointed as new Group CEO

**Commenting, David Evans, Chairman, said:** *"As we move forward we have a difficult balancing act to maintain in terms of keeping the core business moving along whilst successfully executing our strategic priorities. That challenge should not be underestimated in terms of management stretch but I know that we have a good team here and they are up to that challenge.*

*"I am confident that we can deliver on the goals we have set with emphasis on realising in part value for shareholders. I am also confident that we can deliver on CD4 and I look forward to updating you as we progress throughout the year.*

*"Ultimately, we are judged by our results and it may end up being a rather circuitous route to success, but I do believe that after many years of famine shareholders will see some bread in their basket by this time next year. The key thereafter will be to replenish that basket. I am confident we can achieve both."*

The information communicated in this announcement is inside information for the purposes of Article 7 of EU Regulation 596/2014.

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| | |
|---|---|
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## Chairman's Statement

### Overview

As I survey the period since the last Annual Report I think it would be best described as tumultuous.

As Chairman I am extremely conscious of the level of criticism levelled at the Board in terms of the underperformance of the business. This level of performance was not borne out of fecklessness but out of circumstances and a recognition, perhaps belatedly, that we were not sufficiently focused for the resources we had available to us.

As a Board we fully understand our responsibilities and recognise the need to deliver value to shareholders particularly in light of the placing price of the fundraise in July last year. The failure to deliver against that plan is both visible and painful but every problem creates its own opportunity and rather than buckling under that pressure we have addressed the issues head on.

This failure put in the spotlight that the sum of the individual parts of our business are worth significantly more than the whole as represented by our current market capitalisation.

As we moved forward last year through the interim results roadshow and more latterly through the April Trading Update we received valuable feedback from a range of our shareholders which was confirmatory in terms of the priorities that the Board had set itself in terms of delivering realisable value to shareholders over the short, medium and long term.

The delivery of that value is a key priority and it is likely that this will be best achieved through the realisation of the individual parts of the business at the most appropriate stage of their life-cycle.

The first stage of that process was achieved on 28 June 2018 when we announced the divestment of our legacy Infectious disease business to Lab21 Healthcare Limited for £2.175 million. These proceeds will enable the Company to have sufficient working capital without having to either issue further equity or take on additional debt. It is intended to significantly accelerate our plans for CD4 commercialisation where the main gating item is the individual country registration.

The next stages in the process will be announced when we are in a position to say something meaningful and in the interim it would be an act of self-harm to provide a running commentary. We will keep shareholders updated as we make further progress.

### CD4

The jewel in our crown, we believe, is our CD4 test for the monitoring of the immune status of people living with HIV at the point of care. We were able to CE mark and launch the 350-cut-off level during the year. The uptake of the test is dependent upon individual country registration.

The bigger CD4 prize is being able to reach the 200-cut-off level which we hope we will be able to achieve by the end of the final quarter of this calendar year. It is our belief that the availability of this test will expand the addressable market and have the support of several NGOs which will follow WHO guidance on the matter.

In overall terms we anticipate registering the test in over 100 countries over the next four years if we can apply the maximum available resource to the process of registration. The main gating item is the availability of personnel to undertake this process which, if one assumes an individual can undertake between six and eight registrations per year gives you an idea of scale.

It is our intention, subject to securing the CE marking of the 200-cut-off level, to apply the maximum available resource. I think it is worth reflecting upon the achievement of the Omega team in being able to launch its CD4 test when a number of others have failed and expended many times what we have in the process. To date we have spent £2.9 million and anticipate spending a further £1.0 million in the coming financial year on registration activities and to complete the development of the 200-cut-off test.

Whilst we underestimated a number of the technical challenges in transferring the test from an academic institution, the biggest challenge, and one over which we have had no control, has been the cut-off levels over which guidance has changed on a number of occasions.

The test is not straightforward to manufacture, and this was a key factor in our decision to not seek to add to our risk by seeking to transfer the product to our manufacturing facility in Pune, India (and in the absence of such product we reluctantly came to the conclusion that we could not justify maintaining a loss-making facility). We remain confident that with tight process control we can manufacture the test at scale.

**Food intolerance**
We seek to continue to grow the Food intolerance division and we have committed to increasing capacity by commissioning a new facility, located within a few miles of the current site, which will increase the available square footage from c. 13,500 to c. 35,000. Our revenues declined during the period in part due to a regulatory issue on the Food Detective® retail version and due to increased competition in certain markets. We see considerable value in this division and we continue to explore how best to deliver that value to shareholders.

**Allergy**
Allergy has become, in my view, a riddle wrapped in a mystery inside an enigma. The original intention of our Allergy automation programme was that the developed assays would be exploited globally using the German allergy business as the foundation stone. This was a well-intentioned plan impacted by the decision to close the business due to declining market share with its older manual technology products. Despite finding potential buyers the working capital risk was just too great in relation to the offers received.

We are consequentially left with 53 developed allergens (each being a test in their own right). Whilst this is a significant achievement when benchmarked against peer experience in the industry we remain wholly dependent upon IDS for the commercial execution. We believe the market opportunity remains significant but we are not in a position to offer clear revenue guidance until we are further down a process with IDS.

We also had to report on the failure of the Allergodip® project which was the ultimate catalyst for closing down our German facility. This was particularly disappointing given the effort put into the project and the opportunity missed for having a low-cost multiplexed allergy test for the developing world. The opportunity remains for a point of care allergy test but we would not commit to this without extensively consulting with our shareholders.

**Results**
The Group's results for the year ended 31 March 2018 are set out in the consolidated statement of comprehensive income and discussed further in the Financial Review.

**Board and management**
In December 2017 Andrew Shepherd, Founder and Chief Executive, stepped down after 30 years' service. Colin King (formerly Chief Operating Officer) succeeded Andrew as Chief Executive.

I would like to thank Andrew for all his years of service and for the professional way the CEO transition process was handled. Andrew remains with the company in his role as Global Ambassador and Life President with a focus on CD4. No further Board changes are anticipated during the next year.

**Outlook**
As we move forward we have a difficult balancing act to maintain in terms of keeping the core business moving along whilst successfully executing our strategic priorities. That challenge should not be underestimated in terms of management stretch but I know that we have a good team here and they are up to that challenge.

I am confident that we can deliver on the goals we have set with emphasis on realising in part value for shareholders. I am also confident that we can deliver on CD4 and I look forward to updating you as we progress throughout the year. Ultimately, we are judged by our results and it may end up being a rather circuitous route to success, but I do believe that after many years of famine shareholders will see some bread in their basket by this time next year. The key thereafter will be to replenish that basket. I am confident we can achieve both.

**David Evans**
***Non-Executive Chairman***

**Chief Executive's Review**

The headwinds we encountered across our business in the year ending 31 March 2018 were substantial and led to a disappointing outturn for the year. Without doubt this took the shine off our development successes in terms of bringing the world's first true point of care VISITECT® CD4 test to the market and increasing our development rate of allergens on the IDS-iSYS system.

The strategic review that we undertook at the start of 2018 following my appointment as CEO had the clear aim to deliver shareholder value and this is starting to take shape:

- We have successfully restructured our UK trading and management structures.
- Our loss-making operation in Germany and our manufacturing operation in India have both been closed down.

These actions will not only bring immediate savings but increase our efficiency and effectiveness.

The recent announcement of the divestment of our legacy Infectious disease business is a further example of proactive delivery against the strategic aim.

All the actions above will ensure that we focus on VISITECT® CD4, Allergy and Food intolerance revenue growth, which we are well placed to deliver on.

**Core business**

***Food intolerance***

- Our US strategy was delayed because of a key partner's internal difficulties and, along with increased competition in our mature markets, resulted in a 6% decline on the prior year. We believe that this was a short-term issue and expect to return to the growth in our Food intolerance business that we have previously enjoyed. This will be driven primarily in the US as we work with our strategic partners to capitalise on the significant market opportunity. In addition, we are looking at a digital strategy to provide a better level of service for the end consumer.
- A strategic partner in China is in place to capitalise on the significant opportunity for food intolerance in the Chinese market. Work on the registration process has recently commenced which we expect to take approximately two years to complete.

The Food intolerance division sales declined on the prior year level by 6% to £7.56 million (2017: £8.00 million).

Sales of Food Detective® reduced by 17% in the year to £1.71 million (2017: £2.06 million). This was mainly driven by increased competition in our traditional markets.

Sales of Genarrayt®/Foodprint® declined marginally by 2% to £4.59 million (2017: £4.67 million). The Group sold a further five instruments in the year, taking the cumulative number of installations to 181 instruments in 40 countries, and revenue per instrument (excluding Spain) decreased by 7% to £21,867 (2017: £23,442). The majority of the instruments placed last year were in India, which traditionally has a lower revenue per instrument, therefore bringing the overall metric down slightly.

Our CNS laboratory service was flat on the prior year with sales of £0.62 million (2017: £0.62 million). Sales were still dominated by the markets in the UK and Ireland and we produced and sold 7,089 patient reports in the year (2017: 7,167), maintaining an average price of £86.97 per report (2017: £86.44).

***Allergy and autoimmune***

- Allersys® – we continue to make good progress with extending our allergen offering with 53 allergens now CE marked and a further five close to completion. The distribution agreement was finally concluded with IDS and we are now entering a commercialisation phase with IDS. We expect the first year sales to be modest as we help IDS to gear up the commercialisation and work to further extend our menu offering.
- As previously announced, the German operation has been closed down following the failure of our Allergodip® development project and continued pressures in the niche market that we operated in Germany. Allergodip® was a key part of our growth strategy but during the final stages of design verification we identified a technical problem

that would have required significant further investment to bring to market and as part of our strategic review decided we would be better to focus our resources on CD4, Allersys® and Food intolerance.

Sales for the Allergy and autoimmune division are comprised of Allergy sales of £2.84 million (2017: £3.03 million) and sales of Autoimmune products of £0.47 million (2017: £0.56 million), an overall decline of 8%. The poor Allergy sales were a result of an overall decline in the volume of testing across most of our customer base, which was another factor in our decision to close down the German operation. The decline in Autoimmune sales reflected a product rationalisation exercise we undertook during the prior financial year to remove low volume products.

***Infectious disease***

- VISITECT® CD4 – We achieved a key milestone in CE marking our CD4 350 test line and our efforts are now focused on completing in-country registrations and commercialising this test. We have prioritised the countries to focus on and have started the registration process in 10 of these. We are also working hard to expand our distribution network and recently signed an agreement with a new distribution partner in Nigeria. Nigeria is the second largest country impacted by HIV. In addition to this achievement, working in partnership with the NGO community, a further opportunity has been identified to modify our test to report with a reference line of 200 cells per ml. This test will be used to help the diagnosis of advanced diseases. We have recently completed our first design review and are working towards completing the optimisation of the assay. After this has been completed, we will enter verification and validation phases of the project. Our aim is to commence the regulatory pathway in parallel to our development project, which should speed up the commercialisation activities when we launch this variant.
- As part of our strategic review we made the difficult decision to close down our Indian (Pune) manufacturing facility and withdraw from the regulatory approval process for malaria. The processes were taking longer than we had initially envisaged and, therefore, the operation would have remained loss making for a further 12–18 months which we felt was not sustainable. In addition, this has freed up our regulatory resource to focus on VISITECT® CD4 registrations.

Infectious disease sales were flat against prior year at £2.68 million (2017: £2.65 million). This is the business unit that has recently been announced as being divested to Lab 21 Healthcare Limited and is subject to a 12 month transitional services agreement. We expect the physical technical transfer to take around six months to complete with a provision for a further six months' technical support.

**Outlook**

Following our strategic review and the actions we have taken over the last six months we are confident that with our narrower focus on the true value enhancers we can deliver shareholder value.

Food intolerance has a strong customer base in over 70 countries and the US opportunities will return growth rates to at least what we previously experienced. We expect to see the US revenues increase towards the end of this financial year.

We expect Allersys® revenues in this financial year to be modest but with a product range that compares to the market leader and a modern instrument platform, the overall offering to end users should deliver significant growth rates in the mid term. The market is estimated to be in excess of $500 million and there are a small number of competitors.

VISITECT® CD4, the world's first true point of care test, continues to make excellent progress with both our commercialisation activities for the 350 test line and the advanced disease monitoring version in development. With the sale of the infectious disease business we will utilise some of these funds to help accelerate the country deployment and expect to commence the acceleration in the second half of the current financial year. We are determined to get this product into use in as many countries as soon as possible, as this test will make a significant difference to many people's lives in resource-poor settings.

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 growth and delivering on our strategic aims.

**Colin King**
***Chief Executive***

**Financial review**

**Financial performance**

Our results for the year have been impacted by the decision to close our loss-making operations in Germany and Pune, India. Therefore, I will deal first with a summary of financial performance from core business, excluding the effects of closures, followed by a summary of the exceptional items.

***Core business financial summary***

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Food intolerance revenue | **7,556,078** | 8,000,723 |
| Allergy and autoimmune revenue | **3,313,960** | 3,591,376 |
| Infectious disease revenue | **2,682,688** | 2,654,831 |
| **Total revenue** | **13,552,726** | 14,246,930 |
| Gross profit | **8,192,815** | 9,221,554 |
| Gross profit percentage | **60.5%** | 64.7% |
| Adjusted (loss)/profit before taxation | **(733,550)** | 1,130,730 |

Total Group revenue fell by 4.9% to £13.55 million which included the benefit of a marginal positive currency impact of £0.2 million.

Our Food Intolerance revenue fell by 5.6% for two main reasons; firstly, we chose not to stock-fill our largest FoodPrint customer at the year-end and secondly, we saw increased competition in certain markets for our Food Detective product. We have, however, seen encouraging trading with the Food intolerance products during the first quarter of the new financial year. The fall in Allergy and autoimmune revenue of 7.7% was mainly due to continued decline in Germany which underpinned the decision to exit from this business. Infectious disease revenue was effectively flat which mirrors the longer-term trend of this division for minor fluctuations in the level of sales.

The reduction in gross profit value of just over £1 million may be analysed as follows:

| | |
|---|---|
| Increase in comparative material costs over prior year | £0.34m |
| Increase in manufacturing labour | £0.24m |
| Reduction in sales at prior year's margin | £0.45m |
| **Total** | **£1.03m** |

Administrative overheads increased to £6.92 million (2017: £6.43 million) with the primary reasons being an increase in regulatory assurance and quality control personnel and a foreign exchange loss on trading operations.

Selling and marketing costs increased marginally to £2.29 million (2017: £2.12 million) with new recruits to support both the Food intolerance and Allergy and autoimmune divisions.

Adjusted loss before tax (statutory loss before tax and exceptional items of £0.99 million with add backs for amortisation of intangibles of £0.24 million and share-based payment charges of £0.05 million) was £0.73 million compared to an adjusted profit before tax of £1.13 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. However, we have addressed the loss-making segments with our decisions to close our German allergy business and to divest our legacy Infectious disease business (excluding VISITECT® CD4).

**Taxation**

The current year tax credit of £0.3 million (2017: £0.1 million) reflects the increased losses in the year versus the prior year. We have cumulative tax losses of £5.3 million that are carried forward for future offset. 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 (2017: £0.1 million).

**Earnings per share**
Adjusted earnings per share were (0.4) pence versus 1.1 pence in the prior year. The difference is due to the reduction in sales and increase in costs described above, leading to an adjusted loss after tax of £0.47 million versus an adjusted profit after tax of £1.19 million in the prior year, calculated on a fully diluted 122.8 million (2017: 109.8 million) shares in issue.

**Exceptional items**
***Omega Diagnostics GmbH***
Sales and EBITDA in this subsidiary have been in decline over recent years to the extent that, at EBITDA level, the business broke even in the year ended 31 March 2017 and moved into loss for the year ended 31 March 2018. The business was highly unlikely to return to profit without significant investment. A decision was taken to try to sell the business as a going concern and despite engagement with several parties, no meaningful interest materialised. Prior to the year end a decision was taken to close the business. Therefore, on 13 June 2018, we formally filed for insolvency under the German legal system as being the best way to preserve shareholder value. On appointment of the administrator the Group no longer has operational control of the subsidiary. We have continued to recognise those liabilities that existed at the balance sheet date, prior to the decision to close the business, and have been advised that we will not incur any employee settlement costs following the decision to close. However, asset values have been fully provided against as we do not expect to receive any future economic benefit.

***Pune manufacturing facility***
Despite having developed a range of lateral flow malaria tests, it became apparent that the time to achieve WHO approvals would take longer than previously envisaged, in a market that was becoming ever more competitive. The result of this was that the Pune facility was likely to be loss making for a further 12–24 months. We also realised that our Group-wide resource for regulatory assurance (all UK based) would be better focused on accelerating market entry for our VISITECT® CD4 test. As at the date of this report, we continue to review opportunities to recover some value from a disposal of the assets which we do not expect to yield a material sum.

In accordance with accounting principles, we have provided against those asset values as at 31 March 2018 which reflects our view that the Group would not receive future economic benefit from these assets. In addition other exceptional costs include;

- An amount of £167,488 for malaria development expenditure which had been capitalised on the balance sheet of Omega Diagnostics Ltd in the UK has also been written down in relation to the Pune decision.
- An amount of £225,720 in relation to a settlement agreement with Andrew Shepherd following Colin King taking over as CEO.

A summary of all exceptional items is shown below:

| | Germany<br>£ | India<br>£ | UK<br>£ | **Total<br>£** |
|---|---|---|---|---|
| Intangible assets* | 2,985,571 | 146,701 | 167,488 | **3,299,760** |
| Fixed assets | 765,175 | 411,381 | — | **1,176,556** |
| Current assets | 927,053 | 46,368 | — | **973,421** |
| Facility lease obligation | — | 212,569 | — | **212,569** |
| Andrew Shepherd settlement | — | — | 225,720 | **225,720** |
| Total | 4,677,799 | 817,019 | 393,208 | **5,888,026** |

* Intangible assets in Germany are comprised of goodwill and customer relationships of £1,715,928 and previously capitalised development costs of £810,132 for Allergodip® and £459,511 for some expenditure incurred during the earlier days of the Allersys® development programme.

A deferred tax asset balance in Germany of £621,038 was written down to nil and this is detailed as a tax exceptional cost in the income statement.

The total exceptional cost of £6.51m comprises the £5.89m analysed above and the write down of £0.62m in respect of the deferred tax asset in Germany.

**Research and development**
During the year, we invested a total of £3.04 million in all development activities (2017: £2.37 million), representing 22.3% of Group turnover. Expenditure on our Allersys® project increased to £1.25 million (2017: £1.07 million) as we extended the menu to 51 allergens in total at the end of the financial year (subsequently extended beyond year end to 53 allergens). Expenditure on VISITECT® CD4 was maintained at a similar level at £0.64 million (2017: £0.62 million) as we achieved CE marking for our Visitect® 350 test and made progress with the development of our Visitect® 200 test for helping to identify advanced HIV disease.

We incurred a further £0.47 million (2017: £0.26 million) developing Allergodip® for use in doctors' offices and £0.20 million on VISITECT® Malaria (2017: £0.10 million), both products on which we have recently stopped development due to the business unit closure decisions already disclosed. We have also increased expenditure on enhancements to our Food intolerance products, investing £0.32 million in the year (2017: £0.13 million). Of the total expenditure, £2.90 million (2017: £2.20 million) has been capitalised on the balance sheet in accordance with IAS 38 – Development Costs whilst earlier stage R&D expenditure of £0.14 million (2017: £0.19 million) has been expensed through the income statement.

A summary of the remaining carrying value of capitalised development costs is as follows:

| | 2017 | Incurred in year | Written down | **2018** |
|---|---|---|---|---|
| | £ | £ | £ | **£** |
| Allersys® | 5,069,498 | 1,249,543 | (459,511) | **5,859,530** |
| VISITECT® CD4 | 2,221,480 | 638,335 | — | **2,859,815** |
| Allergodip® | 339,650 | 470,482 | (810,132) | **—** |
| VISITECT® Malaria | 109,431 | 204,758 | (314,189) | **—** |
| Other | 132,191 | 334,680 | — | **466,871** |
| Total | 7,872,250 | 2,897,798 | (1,583,832) | **9,186,216** |

**Property, plant and equipment**
The Group maintained its expenditure on fixed assets at a similar level to last year at £0.5 million (2017: £0.6 million). The largest element of £0.3 million (2017: £0.2 million) was spent on Genesis/CNS to alleviate certain space constraints.

**Financing**
In June 2017, the Group raised £3.26 million of new equity capital and incurred expenses of £0.2 million through a placing and open offer, resulting in the issue of 18,138,391 new ordinary shares of 4 pence each. The Group also received gross proceeds of €800,000 from the sale and leaseback over 15 years of its German manufacturing plant which, at the time the transaction was completed, was in contemplation of successfully completing the development of the Allergodip® product. As noted in the Chief Executive's Review, this development project encountered subsequent problems which led to the decision to close the German operation. In September 2017, the Group issued 75,000 new ordinary shares of 4 pence each in satisfaction of an employee exercising a share option, bringing the total number of shares issued at the date of this report to 126,959,060.

**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 outflow from operating activities during the year was £0.83 million (2017: inflow of £2.01 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 82% (2017: 171%). At 31 March 2018, the Group had cash reserves of £0.1 million (2017: £0.7 million).

The Group continues to have a strong relationship with Bank of Scotland as principal bankers to the Group and, in June of this year, we agreed a renewal of the overdraft facility of £2.0 million (2017: £2.0 million) until 15 June 2019. Following the year end, the Group has received the sum of £1.8 million representing the upfront sum receivable from the sale of the Infectious disease business.

**Group restructuring**
We have taken steps to simplify the Group structure which will have a positive effect throughout the year ended 31 March 2019 and beyond.

As noted above, we decided to close our German and Indian manufacturing facilities. Notwithstanding the exceptional asset write-downs incurred with this exercise (noted above), we expect to save annualised costs of c. £0.3 million in relation to Germany and c. £0.4 million in relation to India (both based on EBITDA losses incurred during the year to 31 March 2018).

On 29 March 2018, we transferred the assets and businesses of Genesis Diagnostics Limited, Cambridge Nutritional Sciences Limited and Co-Tek (South West) Limited to Omega Diagnostics Limited. This has allowed us to streamline certain functions and is expected to save annualised costs of c. £0.2 million.

**Kieron Harbinson**
***Group Finance Director***

**Consolidated Statement of Comprehensive Income**
for the year ended 31 March 2018

| | 2018 | 2017 |
|---|---|---|
| **Continuing operations** | **£** | **£** |
| **Revenue** | **13,552,726** | **14,246,930** |
| Cost of sales | **(5,359,911)** | **(5,025,376)** |
| **Gross profit** | **8,192,815** | **9,221,554** |
| Administration costs | **(6,923,715)** | **(6,434,227)** |
| Selling and marketing costs | **(2,290,517)** | **(2,124,203)** |
| Other income | **31,080** | **31,636** |
| **Operating (loss)/profit before exceptional items** | **(990,337)** | **694,760** |
| Exceptional items | **(5,888,026)** | **-** |
| **Operating (loss)/profit after exceptional items** | **(6,878,363)** | **694,760** |
| Finance costs | **(36,351)** | **(39,984)** |
| Finance income – interest receivable | **751** | **1,450** |
| **(Loss)/profit before taxation** | **(6,913,963)** | **656,226** |
| Tax credit | **265,404** | **57,035** |
| Tax - exceptional item | **(621,038)** | **-** |
| **(Loss)/profit for the year** | **(7,269,597)** | **713,261** |
| **Other comprehensive income to be reclassified to profit and loss in subsequent periods** | | |
| Exchange differences on translation of foreign operations | **33,052** | **423,478** |
| Tax charge | **(11,988)** | **(33,258)** |
| **Other comprehensive income that will not be reclassified to profit and loss in subsequent periods** | | |
| Actuarial loss on defined benefit pensions | **(258,449)** | **(107,948)** |
| Tax credit | **49,105** | **20,392** |
| **Other comprehensive income for the year** | **(188,280)** | **302,664** |
| **Total comprehensive income for the year** | **(7,457,877)** | **1,015,925** |
| **Earnings Per Share (EPS)** | | |
| Basic and Diluted EPS on profit for the year | (6.0p) | 0.7p |

| **Adjusted Profit before Taxation For the year ended 31 March 2018** | **2018** | **2017** |
|---|---|---|
| | **£** | **£** |
| **(Loss)/profit before taxation** | **(6,913,963)** | **656,226** |
| Exceptional items | **5,888,026** | **-** |
| IAS19 pension charges | **1,646** | **(5,990)** |
| Amortisation of intangible assets | **238,471** | **225,660** |
| Share based payment charges | **52,270** | **254,834** |
| **Adjusted (loss)/profit before taxation** | **(733,550)** | **1,130,730** |
| **Earnings Per Share (EPS)** | | |
| Adjusted EPS on profit for the year | (0.4p) | 1.1p |

Adjusted profit before taxation is derived by taking statutory profit before taxation and adding back exceptional items, IAS19 pension charges, amortisation of intangibles and share based payment charges

**Consolidated Balance Sheet**
as at 31 March 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangibles | **15,029,448** | **15,588,076** |
| Property, plant and equipment | **1,712,933** | **2,943,312** |
| Deferred taxation | **1,250,082** | **1,651,945** |
| | **17,992,463** | **20,183,333** |
| **Current assets** | | |
| Inventories | **1,823,961** | **2,377,575** |
| Trade and other receivables | **2,969,410** | **2,460,416** |
| Cash and cash equivalents | **115,719** | **737,331** |
| | **4,909,090** | **5,575,322** |
| **Total assets** | **22,901,553** | **25,758,655** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Issued capital | **19,797,343** | **16,727,516** |
| Retained earnings | **(2,685,469)** | **4,753,190** |
| Other reserves | **10,282** | **(22,770)** |
| Total equity | **17,122,156** | **21,457,936** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Long-term borrowings | **728,830** | **275,890** |
| Deferred taxation | **1,619,795** | **1,811,110** |
| Deferred income | **357,360** | **238,067** |
| Retirement benefit deficit | **317,294** | **57,199** |
| Total non-current liabilities | **3,023,279** | **2,382,266** |
| **Current liabilities** | | |
| Short-term borrowings | **154,049** | **155,494** |
| Trade and other payables | **2,602,069** | **1,762,959** |
| Total current liabilities | **2,756,118** | **1,918,453** |
| Total liabilities | **5,779,397** | **4,300,719** |
| **Total equity and liabilities** | **22,901,553** | **25,758,655** |

**Consolidated Statement of Changes in Equity**
for the year ended 31 March 2018

| | Share capital £ | Share premium £ | Retained earnings £ | Translation reserve £ | Total £ |
|---|---|---|---|---|---|
| **Balance at 31 March 2016** | **5,086,756** | **11,640,760** | **3,905,909** | **(446,248)** | **20,187,177** |
| Profit for the year ended 31 March 2017 | - | - | 713,261 | - | 713,261 |
| Other comprehensive income - net exchange adjustments | - | - | - | 423,478 | 423,478 |
| Other comprehensive income - actuarial loss on defined benefit pensions | - | - | (107,948) | - | (107,948) |
| Other comprehensive income - tax charge | - | - | (12,866) | - | (12,866) |
| Total comprehensive income for the year | - | - | 592,447 | 423,478 | 1,015,925 |
| Share-based payments | - | - | 254,834 | - | 254,834 |
| **Balance at 31 March 2017** | **5,086,756** | **11,640,760** | **4,753,190** | **(22,770)** | **21,457,936** |
| 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 | - | - | (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 charge | - | - | 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** | **5,815,292** | **13,982,051** | **(2,685,469)** | **10,282** | **17,122,156** |

**Consolidated Cash Flow Statement**
for the year ended 31 March 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Cash flows generated from operations** | | |
| (Loss)/profit for the year | **(7,269,597)** | 713,261 |
| Adjustments for: | | |
| Taxation | **(265,404)** | (57,035) |
| Taxation - exceptional item | **621,038** | - |
| Finance costs | **36,351** | 39,984 |
| Finance income | **(751)** | (1,450) |
| Operating (loss)/profit before working capital movement | **(6,878,363)** | 694,760 |
| (Increase) / decrease in trade and other receivables | **(508,994)** | 377,853 |
| Decrease / (increase) in inventories | **553,614** | (366,080) |
| Increase in trade and other payables | **839,110** | 121,331 |
| Loss on sale of property, plant and equipment | **1,648** | 813 |
| Asset provisions | **4,476,316** | 0 |
| Depreciation | **386,106** | 372,103 |
| Amortisation of intangible assets | **238,471** | 225,660 |
| Movement in grants | **119,293** | 238,067 |
| Share-based payments | **52,270** | 254,834 |
| Taxation | **(107,968)** | 91,983 |
| **Cash flow (used in)/from operating activities** | **(828,497)** | 2,011,324 |
| **Investing activities** | | |
| Finance income | **751** | 1,450 |
| Purchase of property, plant and equipment | **(472,140)** | (591,377) |
| Purchase of intangible assets | **(2,806,900)** | (2,068,960) |
| Sale of property, plant and equipment | **-** | - |
| **Net cash used in investing activities** | **(3,278,289)** | (2,658,887) |
| **Financing activities** | | |
| Finance costs | **(36,351)** | (39,984) |
| Proceeds from issue of share capital | **3,264,910** | 0 |
| Expenses of share issue | **(195,083)** | 0 |
| New asset backed finance | **625,330** | 163,000 |
| Loan repayments | **-** | 0 |
| Finance lease repayments | **(173,837)** | (142,313) |
| **Net cash from/(used) in financing activities** | **3,484,969** | (19,297) |
| **Net decrease in cash and cash equivalents** | **(621,817)** | (666,860) |
| Effects of exchange rate movements | **205** | 101,934 |
| Cash and cash equivalents at beginning of year | **737,331** | 1,302,257 |
| **Cash and cash equivalents at end of year** | **115,719** | 737,331 |

**Notes to the Preliminary Announcement**
for the year ended 31 March 2018

## 1. Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 434(3) of the Companies Act 2006.

The consolidated balance sheet at 31 March 2018 and the consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and associated notes for the year then ended have been extracted from the Group's financial statements which were approved by the Board of Directors on 3 August 2018 and are audited. The comparative consolidated financial information for the year ended 31 March 2017 is based on an abridged version of the Group's published financial statements for that year, which contained an unqualified audit report and which have been filed with the Registrar of Companies.

The statutory accounts for 2018 will be finalised on the basis of the financial information presented in this preliminary announcement and will be delivered to the registrar of companies following the company's annual general meeting.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2018.

*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 Group has a committed overdraft facility of £2m provided by Bank of Scotland for the period through to June 2019. The sale of the legacy Infectious disease division on 28 June 2018 for total consideration of £2.175 million, including £1.8 million of cash on completion provides the Group with additional resources.

## 2. Segment information

| 2018 | Allergy and Autoimmune £ | Food Intolerance £ | Infectious/ Other £ | Corporate £ | Group £ |
|---|---|---|---|---|---|
| **Statutory presentation** | | | | | |
| Revenue | 3,414,501 | 9,106,780 | 2,885,726 | - | 15,407,007 |
| Inter-segment revenue | (100,541) | (1,550,702) | (203,038) | - | (1,854,281) |
| Total revenue | 3,313,960 | 7,556,078 | 2,682,688 | - | 13,552,726 |
| Operating costs | (3,934,528) | (5,163,264) | (3,402,400) | (2,042,871) | (14,543,063) |
| Operating profit/(loss) before exceptional items | (620,568) | 2,392,814 | (719,712) | (2,042,871) | (990,337) |
| Exceptional items | (4,677,799) | - | (984,507) | (225,720) | (5,888,026) |
| Net finance (costs)/income | (76,708) | (2,970) | (14,372) | 58,450 | (35,600) |
| **(Loss)/profit before tax** | **(5,375,075)** | **2,389,844** | **(1,718,591)** | **(2,210,141)** | **(6,913,963)** |
| **Adjusted profit before tax** | | | | | |
| (Loss)/profit before taxation | (5,375,075) | 2,389,844 | (1,718,591) | (2,210,141) | (6,913,963) |
| Exceptional items | 4,677,799 | - | 984,507 | 225,720 | 5,888,026 |
| IAS19 pension charges | 1,646 | - | - | - | 1,646 |
| Amortisation of intangible assets | 120,208 | 101,130 | 17,133 | - | 238,471 |

| | | | | | |
|---|---|---|---|---|---|
| Share-based payment charges | - | - | - | 52,270 | 52,270 |
| **Adjusted (Loss)/profit before tax** | **(575,422)** | **2,490,974** | **(716,951)** | **(1,932,151)** | **(733,550)** |
| | | | | | |
| Operating profit/(loss) before exceptional items | (620,568) | 2,392,814 | (719,712) | (2,042,871) | (990,337) |
| Depreciation | 92,857 | 170,721 | 122,528 | - | 386,106 |
| Amortisation | 120,208 | 101,130 | 17,133 | - | 238,471 |
| **EBITDA** | **(407,503)** | **2,664,665** | **(580,051)** | **(2,042,871)** | **(365,760)** |

| **2017** | **Allergy and Autoimmune £** | **Food Intolerance £** | **Infectious/ Other £** | **Corporate £** | **Group £** |
|---|---|---|---|---|---|
| **Statutory presentation** | | | | | |
| Revenue | 3,679,068 | 9,439,233 | 2,827,986 | - | 15,946,287 |
| Inter-segment revenue | (87,692) | (1,438,510) | (173,155) | | (1,699,357) |
| Total revenue | 3,591,376 | 8,000,723 | 2,654,831 | - | 14,246,930 |
| Operating costs | (3,751,972) | (4,743,065) | (2,909,556) | (2,147,577) | (13,552,170) |
| Operating profit/(loss) | (160,596) | 3,257,658 | (254,725) | (2,147,577) | 694,760 |
| Net finance (costs)/income | (65,139) | (3,807) | (16,796) | 47,208 | (38,534) |
| **Profit/(loss) before tax** | **(225,735)** | **3,253,851** | **(271,521)** | **(2,100,369)** | **656,226** |
| | | | | | |
| **Adjusted profit before tax** | | | | | |
| Profit/(loss) before tax | (225,735) | 3,253,851 | (271,521) | (2,100,369) | 656,226 |
| IFRS-related discount charges | (5,990) | - | - | - | (5,990) |
| Amortisation of intangible assets | 114,215 | 98,960 | 12,485 | - | 225,660 |
| Share-based payment charges | - | - | - | 254,834 | 254,834 |
| **Adjusted profit/(loss) before tax** | **(117,510)** | **3,352,811** | **(259,036)** | **(1,845,535)** | **1,130,730** |
| | | | | | |
| Operating profit/(loss) | (160,596) | 3,257,658 | (254,725) | (2,147,577) | 694,760 |
| Depreciation | 80,053 | 210,363 | 81,687 | **-** | 372,103 |
| Amortisation | 114,215 | 98,960 | 12,485 | - | 225,660 |
| **EBITDA** | **33,672** | **3,566,981** | **(160,553)** | **(2,147,577)** | **1,292,523** |

## 3. Revenues

| | **2018 £** | **2017 £** |
|---|---|---|
| UK | **1,017,721** | 978,154 |
| Germany | **2,800,160** | 2,989,268 |
| Rest of Europe | **3,187,340** | 3,557,085 |
| North America | **1,981,926** | 1,653,797 |
| South/Central America | **766,580** | 1,005,505 |
| India | **674,739** | 616,070 |
| Asia and Far East | **1,410,722** | 1,496,692 |
| Africa and Middle East | **1,713,538** | 1,950,359 |
| | **13,552,726** | 14,246,930 |

## 4. Finance costs

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Interest payable on loans and bank overdrafts | **21,676** | 20,039 |
| Finance leases | **14,675** | 19,945 |
| | **36,351** | 39,984 |

## 5. Tax credit

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Tax credit in the income statement** | | |
| Current tax - prior year adjustment | (59,447) | 91,980 |
| Deferred tax - current year | 291,078 | 49,223 |
| Deferred tax - prior year adjustment | 33,773 | (84,168) |
| | 265,404 | 57,035 |
| **Tax relating to items charged or credited to other comprehensive income** | | |
| Deferred tax on actuarial loss on retirement benefit obligations | 49,105 | 20,392 |
| Deferred tax on net exchange adjustments | (11,988) | (33,258) |
| | 37,117 | (12,866) |

**Reconciliation of total tax charge**

Factors affecting the tax credit for the year:

| | | |
|---|---|---|
| **(Loss)/profit before tax** | **(6,913,963)** | **656,226** |
| Exceptional items | 5,888,026 | - |
| Settlement cost | (225,720) | - |
| **(Loss)/profit taxable** | **(1,251,657)** | **656,226** |
| **Effective rate of taxation** | 19% | 20% |
| (Loss)/profit before tax multiplied by the effective rate of tax | (237,815) | 131,245 |
| Effects of: | | |
| Expenses not deductible for tax purposes and permanent differences | 25,135 | 66,377 |
| Research and development and deferred tax credits | (148,579) | (111,354) |
| Tax repayment on surrender of tax losses in prior year at 14.5% | - | (91,980) |
| Tax losses surrendered in prior year at 20% | - | 126,869 |
| Deferred tax asset on losses in year not recognised | 168,733 | - |
| Tax underprovided/(overprovided) in prior years | 25,674 | (42,703) |
| Adjustment due to different overseas tax rate | (112,079) | (70,690) |
| Impact of UK rate change on deferred tax | 13,527 | (64,799) |
| **Tax credit for the year** | (265,404) | (57,035) |

## 6. 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.

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| (Loss)/profit attributable to equity holders of the Group | **(7,269,597)** | 713,261 |

| | 2018<br>Number | 2017<br>Number |
|---|---|---|
| Basic average number of shares | **121,470,093** | 108,745,669 |
| Share options | **1,346,731** | 1,013,126 |
| Diluted weighted average number of shares | **122,816,824** | 109,758,795 |

**Adjusted Earnings per share on profit for the year**

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

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Adjusted (loss)/profit before taxation | **(733,550)** | 1,130,730 |
| Tax credit | **265,404** | 57,035 |
| Adjusted (loss)/profit attributable to equity holders of the Group | **(468,146)** | 1,187,765 |

## 7. Annual General Meeting

The Annual General Meeting will be held at Omega House, Hillfoots Business Village, Clackmannanshire, FK12 5DQ on 14 September 2018 at 11am.

## 8. Annual Report

The annual report will be sent to shareholders on 17 August 2018 and will also be available at the registered office of Omega Diagnostics Group PLC at:

One Fleet Place, London, EC4M 7WS

and will be made available on the Company's website at:

www.omegadiagnostics.com