

**Omega Diagnostics Group PLC**  
Annual Report and Group Financial Statements 2018

**A focus on**  
**delivery for**  
**VISITECT<sup>®</sup> CD4,**  
**Allersys<sup>®</sup> and**  
**Food intolerance**

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

## Our range of products

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



### Allergy and autoimmune

#### Main products:

- Allergozyme®
- Allersys®
- Genesis ELISA

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



### Food intolerance

#### Main products:

- Genarrayt®/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.



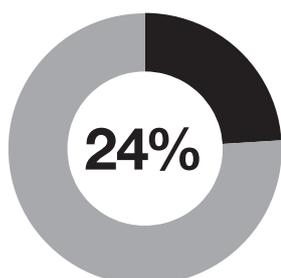
### Infectious disease

#### Main products:

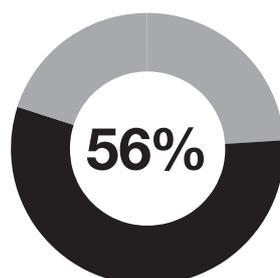
- Immutrep® Syphilis
- Micropath® bacterial tests
- Avitex® latex serology tests

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

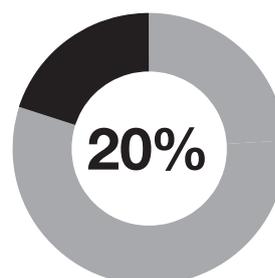
Revenue share  
**£3.3m**



Revenue share  
**£7.6m**



Revenue share  
**£2.7m**



## Financial highlights

Sales (£m)

**£13.6m**

↓ 5%

Gross profit (£m)

**£8.2m**

↓ 11%

Gross profit (%)

**60.5%**

↓ 4.2%

Adjusted (loss)/profit before tax (£m)\*

**£(0.7)m**

↓ 163%

	18	17	16
Sales (£m)	13.6	14.2	12.7
Gross profit (£m)	8.2	9.2	8.1
Gross profit (%)	60.5	64.7	63.8
Adjusted (loss)/profit before tax (£m)*	(0.7)	1.1	1.4

Statutory loss for the year after exceptional items was £7,269,597 (2017: profit of £713,261).

## Operational highlights and 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 £2.175 million
- 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
- Global distribution agreement with IDS and 53 allergens CE marked to run on the fully automated IDS system
- Colin King appointed as new Group CEO

\* 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 29 provides a reconciliation between statutory and adjusted loss before tax.

## Contents

### Strategic Report

- 01 Operational and Financial Highlights
- 02 At a Glance
- 03 Strategic Review
- 04 Our Business Model and Strategy
- 06 Chairman's Statement
- 08 Chief Executive's Review
- 10 Risks and Risk Management
- 12 Financial Review

### Governance

- 15 Board of Directors
- 16 Corporate Governance Report
- 18 Directors' Remuneration Report
- 20 Directors' Report
- 21 Statement of Directors' Responsibilities

### Financial Statements

- 22 Independent Auditor's Report
- 28 Consolidated Statement of Comprehensive Income
- 29 Adjusted Profit Before Taxation
- 30 Consolidated Balance Sheet
- 31 Consolidated Statement of Changes in Equity
- 32 Consolidated Cash Flow Statement
- 33 Company Balance Sheet
- 34 Company Statement of Changes in Equity
- 35 Company Cash Flow Statement
- 36 Notes to the Financial Statements
- 59 Notice of Annual General Meeting
- 60 Notes to the Notice of Annual General Meeting
- 61 Advisers

Find up-to-date information at [www.omegadiagnostics.com](http://www.omegadiagnostics.com)



- f** Omega Diagnostics Group PLC
- in** Omega Diagnostics Group PLC
- 🐦** @OmegaDiagnostic

## 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.



### Allersys®

Allersys® is a chemiluminescent immunoassay (CLIA) reagent system designed for use with the Immunodiagnostic Systems (IDS) automated instruments. IDS provides laboratories worldwide with clinical and research solutions in the field of speciality endocrinology. Allersys® reagents 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.



### Food intolerance

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.

**Following his appointment as Group CEO in December 2017, Colin King undertook a strategic review on behalf of the Board, reflecting the input received from shareholders during the interim results roadshow in December and January.**

**The key outcomes of this review are as follows:**

- A focus on delivering growth for VISITECT® CD4, Allersys® and Food intolerance.
- The need to demonstrate and crystallise value for shareholders over the short to medium term.
- To reduce our cost base significantly with the closure of both the German allergy business and our manufacturing site in Pune, India. The estimated financial impact of the above closures is as follows:
  - An elimination of EBITDA losses which, for the year ended 31 March 2018, amounted to approximately £0.7 million for both sites.
  - Exceptional items included in the 31 March 2018 accounts are detailed in the table below:

**Exceptional items summary**

	Omega GmbH £	Omega Dx £	Omega Diagnostics Limited £	Total £
Intangible assets	2,985,571	146,701	167,488	3,299,760
Fixed assets	765,175	411,381	—	1,176,556
Stock	683,770	46,368	—	730,138
Debtors	243,283	—	—	243,283
Facility lease obligation	—	212,569	—	212,569
Andrew Shepherd settlement	—	—	225,720	225,720
<b>Total</b>	<b>4,677,799</b>	<b>817,019</b>	<b>393,208</b>	<b>5,888,026</b>

- The 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 deferred tax liability balance in Germany of £367,266 was also written down to nil with a matching reduction of £367,266 in the deferred tax asset balance in Omega Dx. These two balances net off to nil in the income statement.
- A simplification of our UK businesses whereby the operations of four separate legal entities have been amalgamated into one entity, effective from 31 March 2018. This has enabled us to streamline certain functions with expected future annualised savings of c. £0.2 million.

These decisions were not taken lightly but the headwinds experienced and commented upon in our Interim Report on 14 December 2017 have continued and the Board will now focus its efforts and resources where it believes it can generate the greatest return. This is consistent with the messages received from shareholders that we have been trying to do too much with too little resources and that there is a need for focus. We will start by, at minimum, meeting external expectations.

The Board is committed to delivering value for its shareholders and will seek to do this in a manner consistent with realising the value of VISITECT® CD4, working with our partner IDS to deliver on Allersys® and exploring all avenues for realising value for our Food intolerance business particularly in the USA.

The first stage of implementing the strategic review was achieved on 28 June 2018 when we announced the divestment of our legacy Infectious disease business to Novacyt for £2.175 million.

# Leveraging our strengths to deliver value

## How we generate revenue

Omega Diagnostics Group PLC is focused on selling a wide 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 53 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.



### Infectious disease

Following the recent sale of our legacy Infectious disease business our focus is now on commercialising VISITECT® CD4 following the CE mark achieved last year.

## 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 strategy to further the Group's progress

## Achievements

- 53 allergens CE marked to run on the IDS-iSYS machine with a further eight optimised
- CE marked VISITECT® CD4. Registration commenced in ten key countries
- Contract signed with Chinese partner for Food Detective® and development team in place to develop specific panels
- Second USA customer signed up for Foodprint®
- Global distribution agreement signed with IDS

## Future focus

- Continued expansion of the allergen menu to run on the IDS-iSYS machine and support IDS in the commercialisation of Allersys®
- Commercialise CD4 350 test line and complete development of 200 test line
- Seek WHO regulatory approval for VISITECT® CD4
- Expansion of the Foodprint® offering in USA and Food Detective® in China
- Launch mobile app to create a digital strategy connecting our products and services to our customers

## Achievements

- Group core values launched
- Introduction of Living Our Values awards
- Company newsletter, company meetings and staff briefings introduced
- Staff survey completed
- Metrics and key project updates being reviewed by management and shared with staff
- One entity in UK completed

## Future focus

- Continuing to embed and promote core values
- Introduce accountability training across the Group
- Continuous improvement culture introduced and promoted
- Implemented actions for staff survey
- Develop a health and wellbeing culture

## Achievements

- Project management structure and processes implemented
- Strategic sourcing strategy being rolled out
- Group quality policy plan developed to reflect changing regulatory landscape
- Progress made on UK site expansion plans to support future growth

## Future focus

- Expansion of project management to focus on non-development projects
- Further work on strategic sourcing to deliver significant improvements
- Quality plan and culture roll out across all sites
- Execution of UK site expansion plans

## Achievements

- Management training programmes are in place and starting to make a positive difference
- New staff appraisal and development programmes implemented
- Staff induction process in place

## Future focus

- Continuing to invest in training and development for all staff
- Develop a talent pipeline to ensure long-term success of the Group
- Expand use of the suggestion scheme to ensure all staff can contribute

## Achievements

- Customer delivery performance improved over the year
- Customer satisfaction surveys completed
- Increased customer interaction with a wider set of staff

## Future focus

- Implement a CRM system
- Recruit key opinion leaders to help better understand our markets and support scientific studies

# I am confident that we can deliver on the goals we have set with emphasis on realising in part value for shareholders



**David Evans**  
Non-executive Chairman

## 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**

3 August 2018

# The headwinds we encountered across our business in the year ending 31 March 2018 were a significant disappointment and took the shine off our development successes



Colin King  
Chief Executive

## IN SUMMARY

- Group revenue declined by 5% to £13.6 million
- Operating loss before exceptional items of £0.9 million (2017: profit of £1.1 million)
- Adjusted loss before tax of £0.7 million
- VISITECT® CD4 test achieves CE mark
- IDS global distribution agreement signed
- 53 allergens CE marked which can be run on the IDS instrument
- Strategic review undertaken and implementation commenced

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 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.

12

For more information see our Financial Review

### 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  
3 August 2018

# 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
<p><b>General economic and political conditions</b></p> <p>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.</p>	<p>The Group seeks to mitigate this risk by conducting operations on a broad geographic basis and by introducing new technologies to remain innovative.</p>	<p></p> <p>The current general economic climate has been dominated by a number of political changes over the last twelve months including geopolitical risk with North Korea and the US imposition of trade tariffs.</p>
<p><b>Brexit</b></p> <p>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.</p>	<p>The Group earns a significant proportion of its revenues in currencies other than sterling, which can help to mitigate the impact of withdrawal.</p>	<p></p> <p>The level of uncertainty has increased over the last twelve months with no clear settlement between the UK government and the EU.</p>
<p><b>Regulatory risk</b></p> <p>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.</p>	<p>The Group has increased its resource in this area during the year and conducts its operations within recognised quality assurance systems and undergoes external assessment to ensure compliance with these systems.</p>	<p></p> <p>There is expected to be an increase in the level of product registration activities since VISITECT® CD4 has moved into the commercialisation phase in multiple countries. The Group also uses external consultancies to assess and strengthen its quality management system.</p>

Risk and description	Mitigating actions	Change
<p><b>Funding risk</b></p> <p>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.</p>	<p>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.</p>	<p>→</p> <p>The Group has maintained an adequate level of liquidity with the recent renewal of its £2 million overdraft facility and the receipt of £1.8 million from the divestment of its legacy Infectious disease business.</p>
<p><b>Eurozone risk</b></p> <p>The euro area combines 19 countries with multiple domestic policies all having to operate under common monetary conditions. The legacy of the financial crisis and differing policy choices will continue to lead to uncertainty and may lead to disruption in investment choices.</p>	<p>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.</p>	<p>→</p> <p>Recent data suggests the eurozone economy grew at its highest rate since the financial crisis but that downside risks have also become more pronounced.</p>
<p><b>Development risk</b></p> <p>The Group has undertaken a similar level of development compared to the prior year with the aim of launching new products in the future.</p> <p>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.</p>	<p>The Group seeks to mitigate the risk around development activities by ensuring that new product candidates undergo a rigorous screening programme.</p> <p>Development programmes are planned in accordance with recognised industry quality standards, managed by people with the requisite skills.</p>	<p>↓</p> <p>The Group has now CE marked 53 allergens to run on the IDS-iSYS machine with a further eight optimised and a global distribution agreement has been signed with IDS.</p> <p>VISITECT® CD4 350 test line has been CE marked with product registration commencing in ten countries. The development of the VISITECT® CD4 200 test has progressed into a formal optimisation phase within its design control programme.</p>
<p><b>Technology risk</b></p> <p>Competition introduces new technology that competes with the Group's current portfolio which is disruptive in nature.</p>	<p>The Group closely monitors the market on a continual basis.</p>	<p>→</p> <p>The Group continues to invest in development and innovation to maintain market share.</p>
<p><b>Pricing environment</b></p> <p>Competition offering lower prices for similar products to those of the Group.</p>	<p>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.</p>	<p>→</p> <p>The Group is aware of increased price competition for some of its products and has recruited a strategic sourcing manager to implement its strategy.</p>
<p><b>Key employees</b></p> <p>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.</p>	<p>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.</p>	<p>→</p> <p>The Group monitors trends in the industry and undertook a UK-wide salary benchmarking exercise in the prior year which led to a number of people receiving a higher level of remuneration. There has been an increase in staff turnover versus the prior year.</p>

# Our results for the year have been impacted by the decision to close our loss-making operations in Germany and Pune, India



**Kieron Harbinson**  
Group Finance Director

## IN SUMMARY

- Total Group revenue decreased by 5% to £13.6 million
- Bank overdraft facility renewed at £2.0 million
- Exceptional items of £6.51 million
- Statutory loss for the year of £7.3 million (2017: profit of £0.7 million)
- Adjusted loss before taxation of £0.7 million (2017: profit of £1.1 million)

## 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	<b>7,556,078</b>	8,000,723
Allergy and autoimmune revenue	<b>3,313,960</b>	3,591,376
Infectious disease revenue	<b>2,682,688</b>	2,654,831
<b>Total revenue</b>	<b>13,552,726</b>	14,246,930
Gross profit	<b>8,192,815</b>	9,221,554
Gross profit percentage	<b>60.5%</b>	64.7%
Adjusted (loss)/profit before taxation	<b>(733,550)</b>	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
<b>Total</b>	<b>£1.03m</b>

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.

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

\* 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.

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 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 above.

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 £6.51 million comprises the £5.89 million analysed above and the write down of £0.62 million in respect of the deferred tax asset in Germany.

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

### 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 shown above.

### 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**

3 August 2018

**David Evans**

**Non-executive Chairman**

Appointed August 2000

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

*Chairman of the Audit Committee and Remuneration Committee.*

**Kieron Harbinson**

**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.

**William Rhodes**

**Non-executive Director**

Appointed 1 May 2013

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

*Member of the Audit Committee and Remuneration 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.

**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.

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

### The Board of Directors

The Board currently comprises one Non-executive Chairman, one Non-executive Director and three Executive Directors, who are the Chief Executive, the Finance Director and the Sales and Marketing Director. David Evans, Non-executive Chairman, and William Rhodes, Non-executive Director, are considered by the Board to be independent in character and judgement. The Board is provided with appropriate information in advance of Board meetings to enable it to discharge its duties effectively.

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

- Lochglen Whisky Limited;
- Fine Art of Golf Limited;
- Novel Technology Holdings Limited;
- Mipdx Limited;
- Integrated Magnetic Systems Limited; and
- Collagen Solutions plc.

### Responsibilities of the Board

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

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

### Board attendance throughout the year

	Board	Audit Committee	Remuneration Committee
David Evans	9/11	3/3	3/3
Andrew Shepherd (nine meetings entitled to attend before his resignation)	6/9	—	—
Kieron Harbinson	11/11	—	—
Jag Grewal	7/11	—	—
William Rhodes	8/11	3/3	3/3
Colin King	8/11	—	—

### The Audit Committee

The Audit Committee has met on two occasions during the year and once since the year end. The Committee is comprised of David Evans, as Chairman, and William Rhodes and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and 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 control system in place is appropriate for its size. The Committee will review this position on an annual basis.

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

### The Remuneration Committee

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

**Internal control**

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

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

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

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

**Communication with shareholders**

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

**Going concern**

The Group’s business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, which runs from pages 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 Group has recently renewed a £2.0 million overdraft facility for the period through to 15 June 2019. The sale of the legacy Infectious disease division on 28 June 2018, as detailed in Note 22, for total consideration of £2.175 million, including £1.8 million of cash on completion, provides the Group with additional resources. This, together with a cash-generative core business and the application of working capital discipline, means that the Group maintains cash levels within its business to meet its short and longer-term objectives.

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

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

By order of the Board



**Kieron Harbinson**  
**Company Secretary**  
 3 August 2018

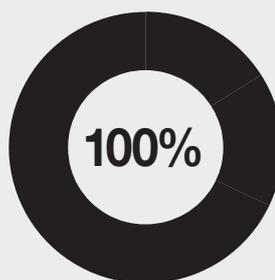
**Executive/Non-executive Board membership**



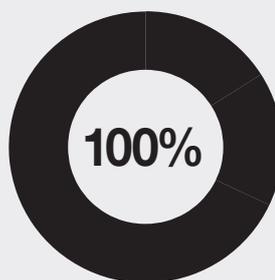
**Key**

- Non-executive Chairman 1
- Non-executive Director 1
- Executive Director 3

**Board meeting attendance**



**Committee meeting attendance**



## DIRECTORS' REMUNERATION REPORT

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

### Remuneration Committee

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

### Remuneration policy

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

### 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. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

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

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

Colin King entered into a service contract with the Group on 3 August 2015, under which he was appointed as Chief Operating Officer on an annual salary of £177,500. His salary was increased to £190,000 on 14 December 2017.

### Directors' emoluments

	Fees/basic salary £	Bonuses £	Benefits in kind £	Total 2018 £	Total 2017 £
<b>Executive</b>					
Andrew Shepherd	213,750	—	4,769	<b>218,519</b>	193,353
Kieron Harbinson	150,000	—	1,496	<b>151,496</b>	151,461
Jag Grewal	140,000	—	2,622	<b>142,622</b>	143,653
Colin King	180,625	—	1,321	<b>181,946</b>	178,814
<b>Non-executive</b>					
David Evans	25,000	—	—	<b>25,000</b>	25,000
William Rhodes	50,000	—	—	<b>50,000</b>	40,000
	<b>759,375</b>	<b>—</b>	<b>10,208</b>	<b>769,583</b>	<b>732,281</b>

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

### Directors' pension contributions

	2018 £	2017 £
Andrew Shepherd	<b>9,500</b>	9,500
Kieron Harbinson	<b>7,500</b>	7,500
Jag Grewal	<b>7,000</b>	7,000
Colin King	<b>9,031</b>	8,875
	<b>33,031</b>	<b>32,875</b>

## Directors' interests in ordinary shares

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

	31 March 2018	31 March 2017
David Evans	<b>4,154,745</b>	3,043,634
Kieron Harbinson	<b>481,617</b>	426,062
Andrew Shepherd	<b>2,819,291</b>	2,708,180
Jag Grewal	<b>153,246</b>	99,913
Colin King	<b>277,777</b>	—
William Rhodes	<b>—</b>	—

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

## Directors' share options

	At 1 April 2017	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2018	Option price	Date of grant	Earliest exercise date	Expiry date
David Evans	390,822	—	—	—	<b>390,822</b>	19.0p	10/12/08	10/12/09	10/12/18
William Rhodes	2,130,406	—	—	—	<b>2,130,406</b>	15.25p	04/07/13	04/07/16	04/07/23
Andrew Shepherd	703,480	—	—	—	<b>703,480</b>	19.0p	10/12/08	10/12/09	10/12/18
	600,000	—	—	—	<b>600,000</b>	14.5p	05/07/12	05/07/15	05/07/22
	800,000	—	—	—	<b>800,000</b>	30.5p	25/02/14	25/02/17	25/02/24
	—	50,000	—	—	<b>50,000</b>	15.25p	29/03/18	29/03/19	29/03/28
Kieron Harbinson	468,987	—	—	—	<b>468,987</b>	19.0p	10/12/08	10/12/09	10/12/18
	300,000	—	—	—	<b>300,000</b>	14.5p	05/07/12	05/07/15	05/07/22
	640,000	—	—	—	<b>640,000</b>	30.5p	25/02/14	25/02/17	25/02/24
Jag Grewal	100,000	—	—	—	<b>100,000</b>	13.25p	12/08/11	12/08/12	12/08/21
	200,000	—	—	—	<b>200,000</b>	14.5p	05/07/12	05/07/15	05/07/22
	610,000	—	—	—	<b>610,000</b>	30.5p	25/02/14	25/02/17	25/02/24
Colin King	1,200,000	—	—	—	<b>1,200,000</b>	13.0p	29/09/15	29/09/18	29/09/25

The share price at 31 March 2018 was 14.75 pence. The highest and lowest share prices during the year were 26.88 pence and 14.38 pence respectively.

Approved by the Board



**David Evans**  
Non-executive Chairman  
3 August 2018

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2018.

**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 loss of £7,269,597 (2017: profit of £713,261), 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 has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Company loss for the year ended 31 March 2018 is £5,802,146 (2017: profit of £159,686).

**Business review and future development**

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

**Research and development**

Details of research and development activity are contained in the Financial Review on pages 12 to 14. Costs in the year amounted to £3,036,142 (2017: £2,367,655). Costs of £145,456 in relation to research activities (2017: £199,906) were expensed through the statement of comprehensive income and costs of £2,890,686 in relation to product development (2017: £2,167,749) were capitalised and included within intangible assets as detailed in Note 8.

**Directors**

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

- David Evans;
- Kieron Harbinson;
- Andrew Shepherd (resigned 14 December 2017);
- Jag Grewal;
- William Rhodes; and
- Colin King.

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 18 and 19. 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.

**Principal risks and uncertainties**

The Board meets regularly to review operations and to discuss risk areas. Pages 10 and 11 of the Strategic Report contain details of the Group's principal risks and uncertainties. Note 21 to the financial statements contains details of financial risks faced by the Group.

**Auditors**

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

**Directors' statement as to disclosure of information to auditors**

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 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 12 June 2018 the following shareholders held more than 3% of the Group's issued ordinary share capital:

	Number of 4 pence ordinary shares	Percentage
Richard Sneller Legal & General	24,145,710	19.02%
Investment Management Oryx International	15,851,031	12.49%
Growth Fund Limited	7,750,000	6.10%
Octopus Investments Limited	6,682,730	5.26%
Hargreaves Lansdown Stockbrokers	6,369,148	5.02%
Interactive Investor	4,297,718	3.39%
SG Private Banking	4,291,670	3.38%
Unicorn Asset Management	4,266,750	3.36%
David Evans	4,154,745	3.27%
Mobeus Equity Partners LLP	3,999,950	3.15%
Cavendish Asset Management	3,818,126	3.01%

By order of the Board



**Kieron Harbinson**  
Company Secretary  
3 August 2018

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 present fairly the financial position of the Group and Company, financial performance of the Group and cash flows of the Group and Company for that period. In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group and Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT

to the members of Omega Diagnostics Group PLC

### 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 2018 and of the group's loss 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 2018	Balance sheet as at 31 March 2018
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 22 to the financial statements including a summary of significant accounting policies
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	

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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"><li>– Risk of inappropriate revenue recognition</li><li>– Risk of inappropriate capitalisation of R&amp;D spend</li><li>– Risk of impairment of capitalised development costs</li><li>– Risk of impairment of goodwill</li></ul>
<b>Audit scope</b>	<ul style="list-style-type: none"><li>– We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 1 components.</li><li>– The components where we performed full or specific audit procedures accounted for 96% of Gross Margin, 94% of Revenue and 94% of Total assets.</li></ul>
<b>Materiality</b>	<ul style="list-style-type: none"><li>– Overall group materiality of £76k which represents 1% of Gross Margin.</li></ul>

## 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
<p><b>Risk of inappropriate revenue recognition (£13.6m, PY comparative £14.3m)</b></p> <p><i>Refer to the Accounting policies (page 36); and Note 7 of the Consolidated Financial Statements (page 43)</i></p> <p>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.</p> <p>Pressures to meet stakeholder expectations could provide incentives to record revenues where risk and reward have not passed.</p>	<p>Our audit response consisted of several procedures including those summarised below. The specific combination of procedures varied by location.</p> <ul style="list-style-type: none"> <li>– Performing 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.</li> <li>– Performing monthly analytic reviews to identify any unusual sales trends as well as computer assisted data analytics techniques to focus our testing on any unusual revenue transactions.</li> <li>– Interviewing 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.</li> <li>– Performing 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 where appropriately accounted for.</li> <li>– Reviewing post year end credit notes to ensure revenue recognised pre year end is not reversed post year end.</li> <li>– Reviewing all debit postings to revenue in the final quarter of FY18 to ensure these reversals were not subsequently recognised post year end.</li> </ul>	<p>Based on the audit procedures performed we have concluded that revenue recognition is appropriate.</p>
<p><b>Risk of inappropriate capitalisation of R&amp;D spend (£2.9m, PY comparative £2.2m)</b></p> <p><i>Refer to the Accounting policies (page 36); and Note 8 of the Consolidated Financial Statements (page 46)</i></p> <p>The Group continues to invest in its development programs and has significant expenditure which is capitalised on balance sheet rather expensed through the income statements as incurred on the basis of meeting the recognition requirement of IAS 38.</p> <p>The application of the recognition criteria under IAS 38, assessment of the effectiveness of the expenditure and percentage level of internal labour costs to be capitalised is all highly judgmental and open to management override providing opportunity to distort income statement performance.</p> <p>The risk has decreased in the current year due to the asset write offs undertaken in relation to Omega Diagnostics GMBH and the wider business refocus.</p>	<p>Our principal audit procedures included:</p> <ul style="list-style-type: none"> <li>– Review and update 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.</li> <li>– Enquiries of non-finance staff i.e. 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.</li> <li>– Challenging key assumptions made by management in their application of IAS 38 criteria to determine whether they meet the requirements of the standard.</li> <li>– Detailed sample testing of additions to supporting documentation to agree the nature of recognition is appropriate and consistent with IAS 38.</li> <li>– Review for any ineffective spend, by interviews and discussions with lead scientists/engineers surrounding project progress and any issues encountered to date, conducting a review of board meeting minutes.</li> <li>– Assessing the adequacy of related disclosures in the Group's financial statements.</li> </ul>	<p>Based on the audit procedures performed we have concluded that there have been no issues of inappropriate capitalisation of R&amp;D.</p>
	<p>We performed full scope audit procedures over this risk area in 4 locations, which covered 83% of the risk amount.</p>	
	<p>We performed full scope audit procedures over this risk area in 3 locations, which covered 97% of the risk amount before write downs in the year. After write down 100% of risk area is covered.</p>	

**Key audit matters** continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of impairment of capitalised development costs (£9.2m, PY comparative £7.8m)</b></p> <p><i>Refer to the Accounting policies (page 36); and Note 8 of the Consolidated Financial Statements (page 46)</i></p> <p>The Group has significant intangible assets as a result of capitalised development spend arising from products in development.</p> <p>For the products in development, the main judgment is achieving successful trial results and obtaining required clinical and regulatory approvals. The risk is that there may be errors in these judgments.</p> <p>Assessment of recoverability of the assets is based on forecasting and discounting future cash flows, which are inherently highly judgmental.</p> <p>The risk has decreased in the current year due to the progression of the development projects.</p>	<p>Our principal audit procedures included:</p> <ul style="list-style-type: none"> <li>– evaluating 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;</li> <li>– performing sensitivity analyses over individual intangible asset models, to assess the level of sensitivity to key assumptions, and focused our work in those areas;</li> <li>– assessing the reasonableness of the Group's assumptions regarding probability of obtaining regulatory approval through consideration of the current phase of development and comparison to industry practice;</li> <li>– interviewing key R&amp;D personnel to corroborate the assumptions used;</li> <li>– evaluating the WACC, with the assistance of EY valuations specialists;</li> <li>– challenging 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 and market data;</li> <li>– challenging internally generated evidence by reviewing analyst forecasts, and retrospective assessment of the accuracy of the Group's projections; and</li> <li>– assessing the adequacy of related disclosures in the Group's financial statements.</li> </ul> <hr/> <p>We performed full scope audit procedures over this risk area in 3 locations, which covered 100% of the risk amount after write downs associated with business refocus.</p>	<p>Based on the audit procedures performed we have concluded that the assumptions made by management are reasonable and after considering the write downs in respect of the business refocus, no impairment issues having been identified.</p>
<p><b>Risk of impairment of goodwill (£3.3m, PY comparative £4.7m)</b></p> <p><i>Refer to the Accounting policies (page 36); and Note 8 of the Consolidated Financial Statements (page 46)</i></p> <p>The Group has significant intangible assets arising from the acquisition of Genesis &amp; CNS £3.0m and £0.3m from Co-Tek. Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently highly judgmental.</p> <p>Assessment of recoverability of the assets is based on forecasting and discounting future cash flows, which are inherently highly judgmental.</p> <p>The risk has decreased in the current year due to the asset write offs undertaken in relation to Omega Diagnostics GMBH.</p>	<p>Our principal audit procedures included:</p> <ul style="list-style-type: none"> <li>– evaluating the Group's assumptions used in assessing the recoverability of intangible assets, in particular, revenue and cash flow projections and the weighted average cost of capital;</li> <li>– performing sensitivity analyses over individual CGU models, to assess the level of sensitivity to key assumptions, and focused our work in those areas;</li> <li>– evaluating the WACC, with the assistance of EY valuations specialists;</li> <li>– challenging internally generated evidence by reviewing analyst forecasts, and retrospective assessment of the accuracy of the Group's projections; and</li> <li>– assessing the adequacy of related disclosures in the Group's financial statements.</li> </ul> <hr/> <p>We performed full scope audit procedures over this risk area in 3 locations, which covered 100% of the risk amount.</p>	<p>Based on the audit procedures performed we have concluded that the assumptions made by management are reasonable with no impairment issues having been identified.</p>

In the prior year, our auditor's report did not report key audit matters.

**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 7 reporting components of the Group, we selected 6 components covering entities which represent the principal business units within the Group.

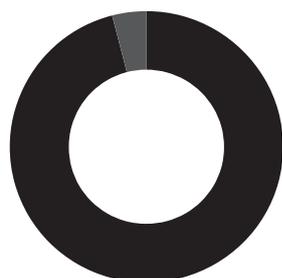
Of the 6 components selected, we performed an audit of the complete financial information of 5 components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining 1 component (“specific scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2017: 100%) of the Group’s Margin, 99% (2017: 99%) of the Group’s Revenue and 99% (2017: 99%) of the Group’s Total assets. For the current year, the full scope components contributed 96% (2017: 84%) of the Group’s Group Margin, 94% (2017: 74%) of the Group’s Revenue and 94% (2017: 74%) of the Group’s Total assets. The specific scope component contributed 4% (2017: 16%) of the Group’s Gross margin, 5% (2017: 25%) of the Group’s Revenue and 5% (2017: 25%) of the Group’s Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant risks tested for the Group.

Of the remaining 1 component that represents 0% of the Group’s Gross Margin, for this component, 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.

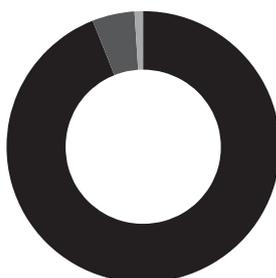
The charts below illustrate the coverage obtained from the work performed by our audit teams.

**Gross Margin**



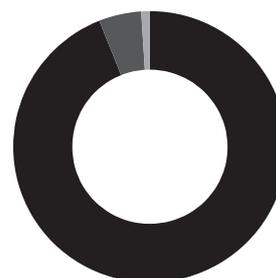
- 70% Full scope components
- 15% Specific scope components
- 15% Other procedures

**Revenue**



- 70% Full scope components
- 15% Specific scope components
- 15% Other procedures

**Total assets**



- 70% Full scope components
- 15% Specific scope components
- 15% Other procedures

**Changes from the prior year**

The increase in coverage from the prior year reflects the increases in scope for one component of the group from specific scope to full scope. This reflects the increased risk associated with the reorganisation activities of that business during the year.

**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 £76k (2017: £48k), which is 1% of Gross Margin (2017: 5% of adjusted Profit before tax). We believe that Gross Margin provides us with an appropriate basis upon which to set materiality in the current year given the current year loss making position of the underlying business, resulting in adjusted Profit before tax not being appropriate.

We determined materiality for the Parent Company to be £163k (2017: £168k), which is 1% (2017: 1%) of total equity. Parent company is not a trading entity, therefore we consider it appropriate to prepare materiality on a different basis. As a result of the trading losses in the group, the basis on which the materiality is calculated 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 final materiality being £82.3k which is an increase of £6.2k from original assessment at planning.

#### **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 was 75% (2017: 75%) of our planning materiality, namely £57k (2017: £36k). 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 locations 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 £18k to £56k (2017: £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 £4.1k (2017: £2.4k), 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 pages 1 to 20, 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.



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

3 August 2018

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 2018

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

## ADJUSTED PROFIT BEFORE TAXATION

for the year ended 31 March 2018

	2018 £	2017 £
<b>(Loss)/profit before taxation</b>	<b>(6,913,963)</b>	656,226
Exceptional items	<b>5,888,026</b>	—
IAS 19 pension charges	<b>1,646</b>	(5,990)
Amortisation of intangible assets	<b>238,471</b>	225,660
Share-based payment charges	<b>52,270</b>	254,834
<b>Adjusted (loss)/profit before taxation</b>	<b>(733,550)</b>	1,130,730
<b>Earnings per share (EPS)</b>		
Adjusted EPS on profit for the year	<b>(0.4p)</b>	1.1p

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 2018

	Note	2018 £	2017 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangibles	8	15,029,448	15,588,076
Property, plant and equipment	9	1,712,933	2,943,312
Deferred taxation	14	1,250,082	1,651,945
Retirement benefit surplus	18	—	—
Total non-current assets		17,992,463	20,183,333
<b>Current assets</b>			
Inventories	10	1,823,961	2,377,575
Trade and other receivables	11	2,969,410	2,460,416
Cash and cash equivalents		115,719	737,331
Total current assets		4,909,090	5,575,322
<b>Total assets</b>		<b>22,901,553</b>	<b>25,758,655</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	12	728,830	275,890
Deferred taxation	14	1,619,795	1,811,110
Deferred income	13	357,360	238,067
Retirement benefit deficit	18	317,294	57,199
Total non-current liabilities		3,023,279	2,382,266
<b>Current liabilities</b>			
Short-term borrowings	12	154,049	155,494
Trade and other payables	13	2,602,069	1,762,959
Total current liabilities		2,756,118	1,918,453
Total liabilities		5,779,397	4,300,719
<b>Total equity and liabilities</b>		<b>22,901,553</b>	<b>25,758,655</b>



**David Evans**  
Non-executive Chairman  
3 August 2018



**Kieron Harbinson**  
Finance Director  
3 August 2018

**Omega Diagnostics Group PLC**  
Registered number: 5017761

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Share capital £	Share premium £	Retained earnings £	Translation reserve £	Total £
<b>Balance at 31 March 2016</b>	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 gain 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
<b>Balance at 31 March 2017</b>	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
<b>Balance at 31 March 2018</b>	<b>5,815,292</b>	<b>13,982,051</b>	<b>(2,685,469)</b>	<b>10,282</b>	<b>17,122,156</b>

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2018

	Note	2018 £	2017 £
<b>Cash flows generated from operations</b>			
(Loss)/profit for the year		<b>(7,269,597)</b>	713,261
Adjustments for:			
Taxation		<b>(265,404)</b>	(57,035)
Taxation – exceptional item		<b>621,038</b>	–
Finance costs		<b>36,351</b>	39,984
Finance income		<b>(751)</b>	(1,450)
Operating (loss)/profit before working capital movement		<b>(6,878,363)</b>	694,760
(Increase)/decrease in trade and other receivables		<b>(508,994)</b>	377,853
Decrease/(increase) in inventories		<b>553,614</b>	(366,080)
Increase in trade and other payables		<b>839,110</b>	121,331
Loss on sale of property, plant and equipment		<b>1,648</b>	813
Asset provisions		<b>4,476,316</b>	–
Depreciation	7	<b>386,105</b>	372,103
Amortisation of intangible assets	8	<b>238,471</b>	225,660
Movement in grants		<b>119,293</b>	238,067
Share-based payments		<b>52,270</b>	254,834
Taxation		<b>(107,967)</b>	91,983
<b>Cash flow (used in)/from operating activities</b>		<b>(828,497)</b>	2,011,324
<b>Investing activities</b>			
Finance income		<b>751</b>	1,450
Purchase of property, plant and equipment	9	<b>(472,140)</b>	(591,377)
Purchase of intangible assets		<b>(2,806,900)</b>	(2,068,960)
<b>Net cash used in investing activities</b>		<b>(3,278,289)</b>	(2,658,887)
<b>Financing activities</b>			
Finance costs		<b>(36,351)</b>	(39,984)
Proceeds from issue of share capital		<b>3,264,910</b>	–
Expenses in connection with share issue		<b>(195,083)</b>	–
New asset backed finance		<b>625,330</b>	163,000
Finance lease repayments		<b>(173,837)</b>	(142,313)
<b>Net cash from/(used in) financing activities</b>		<b>3,484,969</b>	(19,297)
<b>Net decrease in cash and cash equivalents</b>		<b>(621,817)</b>	(666,860)
Effects of exchange rate movements		<b>205</b>	101,934
Cash and cash equivalents at beginning of year		<b>737,331</b>	1,302,257
<b>Cash and cash equivalents at end of year</b>		<b>115,719</b>	737,331

## COMPANY BALANCE SHEET

as at 31 March 2018

	Note	2018 £	2017 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	19	9,941,118	12,745,159
Intangibles	8	1,531,786	1,531,786
Total non-current assets		11,472,904	14,276,945
<b>Current assets</b>			
Trade and other receivables	11	8,570,423	6,082,862
Cash and cash equivalents		—	292,404
Total current assets		8,570,423	6,375,266
<b>Total assets</b>		<b>20,043,327</b>	20,652,211
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		20,787,018	17,717,191
Retained earnings		(4,607,614)	1,142,262
Total equity		16,179,404	18,859,453
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdraft		305,486	—
Trade and other payables	13	3,558,437	1,792,758
Total current liabilities		3,863,923	1,792,758
Total liabilities		3,863,923	1,792,758
<b>Total equity and liabilities</b>		<b>20,043,327</b>	20,652,211

The Company loss in the year was £5,802,146 (2017: profit of £159,686).



**David Evans**  
Non-executive Chairman  
3 August 2018



**Kieron Harbinson**  
Finance Director  
3 August 2018

**Omega Diagnostics Group PLC**

Registered number: 5017761

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Share capital £	Share premium £	Retained earnings £	Total £
<b>Balance at 31 March 2016</b>	5,459,038	12,258,153	727,741	18,444,932
Profit for the year ended 31 March 2017	—	—	159,687	159,687
Total comprehensive income for the year	—	—	159,687	159,687
Share-based payments	—	—	254,834	254,834
<b>Balance at 31 March 2017</b>	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
<b>Balance at 31 March 2018</b>	<b>6,187,574</b>	<b>14,599,444</b>	<b>(4,607,614)</b>	<b>16,179,404</b>

## COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2018

	2018 £	2017 £
<b>Cash flows generated from operations</b>		
(Loss)/profit for the year	<b>(5,802,146)</b>	159,686
Adjustments for:		
Taxation	—	—
Finance costs	<b>18,659</b>	18,846
Finance income	<b>(77,108)</b>	(66,053)
Operating (loss)/profit before working capital movement	<b>(5,860,595)</b>	112,479
Increase in trade and other receivables	<b>(2,487,561)</b>	(1,792,501)
Increase in trade and other payables	<b>1,765,679</b>	1,624,910
Investment write offs	<b>3,146,771</b>	—
Share-based payments	<b>52,270</b>	254,834
<b>Cash flow (used in)/from operating activities</b>	<b>(3,383,436)</b>	199,722
<b>Investing activities</b>		
Finance income	<b>77,108</b>	66,053
Investment in subsidiaries	<b>(342,730)</b>	(552,082)
<b>Net cash used in investing activities</b>	<b>(265,622)</b>	(486,029)
<b>Financing activities</b>		
Finance costs	<b>(18,659)</b>	(18,846)
Proceeds from issue of share capital	<b>3,264,910</b>	—
Expenses of share issue	<b>(195,083)</b>	—
<b>Net cash from/(used in) financing activities</b>	<b>3,051,168</b>	(18,846)
<b>Net decrease in cash and cash equivalents</b>	<b>(597,890)</b>	(305,153)
Cash and cash equivalents at beginning of year	<b>292,404</b>	597,557
<b>Cash and cash equivalents at end of year</b>	<b>(305,486)</b>	292,404

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 1 Authorisation of financial statements

The financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2018 were authorised for issue by the Board of Directors on 3 August 2018, and the balance sheets were signed on the Board's behalf by David Evans and Kieron Harbinson. Omega Diagnostics Group PLC is a public limited company incorporated in England. The Company's ordinary shares are traded on AIM.

### 2 Accounting policies

#### Basis of preparation

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

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

- Allergy and autoimmune;
- Food intolerance; and
- Infectious disease and Other.

#### Basis of consolidation

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

#### Going concern

The Group has recently renewed a £2.0 million overdraft facility for the period through to 15 June 2019. The sale of the legacy Infectious disease division on 28 June 2018, as detailed in Note 22, for total consideration of £2.175 million, including £1.8 million of cash on completion, provides the Group with additional resources. Both the renewal of the bank overdraft facility and the Infectious disease division sale proceeds support the Directors' conclusion to present the accounts on a going concern basis.

#### Intangible assets

##### Goodwill

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

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

##### Other intangible assets

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition at fair value at the acquisition date, the 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	–	5–20 years
Customer relationships	–	5–10 years
Supply agreements	–	5 years
Licences/software	–	5–20 years

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

##### Research and development costs

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

## 2 Accounting policies continued

### Property, plant and equipment

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

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

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

### Impairment of assets

The Group and Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group and Company 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 initially at fair value and subsequently measured at the lower of original invoice amount and recoverable amount. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable. Significant financial difficulty or significantly extended settlement periods are considered to be indicators of impairment. Normal average payment terms vary from payment in advance to 90 days. Balances are written off when the probability of recovery is assessed as remote.

### Cash and cash equivalents

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

### Financial instruments

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

Financial assets held by the Company are trade and other receivables and cash. Trade and other receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

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

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

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

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

### Company's investments in subsidiaries

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

### Presentation currency

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

## **2 Accounting policies** continued

### **Foreign currencies**

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

### **Revenue recognition**

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

### **Grants**

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

### **Leasing and hire purchase commitments**

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

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.

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

## 2 Accounting policies continued

### 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:

#### 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.

#### 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 2018, which will be offset against future profits expected to be generated from the prospects for Allersys® and VISITECT® CD4, leads management to conclude to carry the deferred tax asset in full. The carrying value of the deferred tax asset at 31 March 2018 is £1,250,082 (2017: £1,651,945). 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 IAS 19 – Plan Amendment, Curtailment or Settlement	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
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
Clarification to IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
Amendments to IFRS 2 – Classifications and Measurement of Share-based Payment Transactions	1 January 2018
IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to IFRSs – 2014–2016 Cycle	1 January 2018

\* Not yet adopted for use in the European Union.

## 2 Accounting policies *continued*

### New standards and interpretations not applied *continued*

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The Directors do not currently expect IFRS 15 to have a material impact on the consolidated financial statements. The Directors continue to evaluate the impact of bringing buildings onto the balance sheet under IFRS 16 but do not expect it to have a material impact on the consolidated financial statements. The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9 but we are still undertaking a review of this. 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

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

## 4 Segment information

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

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

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

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

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

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

### Business segment information

2018	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Group £
<b>Statutory presentation</b>					
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 (loss)/profit 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)
<b>(Loss)/profit before tax</b>	<b>(5,375,075)</b>	<b>2,389,844</b>	<b>(1,718,591)</b>	<b>(2,210,141)</b>	<b>(6,913,963)</b>
<b>Adjusted profit before tax</b>					
(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
IAS 19 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
<b>Adjusted (loss)/profit before tax</b>	<b>(575,422)</b>	<b>2,490,974</b>	<b>(716,951)</b>	<b>(1,932,151)</b>	<b>(733,550)</b>
Operating (loss)/profit 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
<b>EBITDA</b>	<b>(407,503)</b>	<b>2,664,665</b>	<b>(580,051)</b>	<b>(2,042,871)</b>	<b>(365,760)</b>

**4 Segment information** continued  
**Business segment information** continued

2017	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Group £
<b>Statutory presentation</b>					
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)
<b>Profit/(loss) before tax</b>	<b>(225,735)</b>	<b>3,253,851</b>	<b>(271,521)</b>	<b>(2,100,369)</b>	<b>656,226</b>
<b>Adjusted profit before tax</b>					
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
<b>Adjusted profit/(loss) before tax</b>	<b>(117,510)</b>	<b>3,352,811</b>	<b>(259,036)</b>	<b>(1,845,535)</b>	<b>1,130,730</b>
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
<b>EBITDA</b>	<b>33,672</b>	<b>3,566,981</b>	<b>(160,553)</b>	<b>(2,147,577)</b>	<b>1,292,523</b>

Corporate consists of centralised corporate costs which are not allocated across the three business divisions. In the current year costs which were previously allocated to the three business segments have now been included in corporate costs to better reflect the underlying performance of the segments. The 2017 equivalent costs have been reclassified to reflect the revised approach to corporate costs (Allergy and Autoimmune profit increase by £0.2 million, Food Intolerance profit increase by £0.2 million and Infectious/Other profit increase by £0.4 million with a corresponding increase in corporate costs of £0.8 million) to show a like for like comparison.

The segment assets and liabilities are as follows:

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
<b>Total assets</b>	<b>7,785,443</b>	<b>7,625,117</b>	<b>6,096,791</b>	<b>28,401</b>	<b>22,901,553</b>
Segment liabilities	601,885	864,403	1,607,249	203,186	3,276,723
Unallocated liabilities	—	—	—	—	2,502,674
<b>Total liabilities</b>	<b>601,885</b>	<b>864,403</b>	<b>1,607,249</b>	<b>203,186</b>	<b>5,779,397</b>

2017	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Group £
Segment assets	11,281,036	6,098,504	5,977,642	12,197	23,369,379
Unallocated assets	—	—	—	—	2,389,276
<b>Total assets</b>	<b>11,281,036</b>	<b>6,098,504</b>	<b>5,977,642</b>	<b>12,197</b>	<b>25,758,655</b>
Segment liabilities	493,387	418,334	1,000,362	146,141	2,058,224
Unallocated liabilities	—	—	—	—	2,242,495
<b>Total liabilities</b>	<b>493,387</b>	<b>418,334</b>	<b>1,000,362</b>	<b>146,141</b>	<b>4,300,719</b>

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

**Information about major customers**

One customer within the Food intolerance segment accounts for 11% of Group revenues.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

**4 Segment information** continued

**Geographical information**

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

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

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

2017	Intangibles £	Property, plant and equipment £	Retirement benefit surplus £	Inventories £	Trade and other receivables £	Total £
<b>Assets</b>						
UK	12,984,342	1,649,504	—	1,513,542	1,827,818	17,975,206
Germany	2,530,631	810,797	—	666,355	360,621	4,368,404
India	73,103	483,011	—	197,678	271,977	1,025,769
Unallocated assets	—	—	—	—	—	2,389,276
<b>Total assets</b>	<b>15,588,076</b>	<b>2,943,312</b>	<b>—</b>	<b>2,377,575</b>	<b>2,460,416</b>	<b>25,758,655</b>

	2018 £	2017 £
<b>Liabilities</b>		
UK	<b>1,566,728</b>	1,334,733
Germany (including retirement benefit liability of £317,294)	<b>1,118,556</b>	443,392
India	<b>591,439</b>	280,099
Unallocated liabilities	<b>2,502,674</b>	2,242,495
<b>Total liabilities</b>	<b>5,779,397</b>	4,300,719
<b>Capital expenditure</b>		
UK	<b>411,741</b>	496,923
Germany	<b>25,915</b>	61,334
India	<b>34,484</b>	33,120
<b>Total capital expenditure</b>	<b>472,140</b>	591,377

## 5 Finance costs

Consolidated	2018 £	2017 £
Interest payable on bank overdraft	21,676	20,039
Finance leases	14,675	19,945
	<b>36,351</b>	39,984

## 6 Taxation

Consolidated	2018 £	2017 £
<b>(a) Tax credited in the income statement</b>		
Current tax – current year	–	–
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)
	<b>265,404</b>	57,035

<b>(b) Tax relating to items charged or credited to other comprehensive income</b>		
Deferred tax on actuarial loss on retirement benefit obligations	49,105	20,392
Deferred tax on net exchange adjustments	(11,988)	(33,258)
<b>Total tax credit/(charge)</b>	<b>37,117</b>	(12,866)

Consolidated	2018 £	2017 £
<b>(c) Reconciliation of total tax credit</b>		
Factors affecting the tax credit for the year:		
<b>(Loss)/profit before tax</b>	<b>(6,913,963)</b>	656,226
Exceptional items	5,888,026	–
Settlement cost	(225,720)	–
(Loss)/profit taxable	<b>(1,251,657)</b>	656,226
<b>Effective rate of taxation</b>	<b>19%</b>	20%
(Loss)/profit before tax multiplied by the effective rate of tax	<b>(237,815)</b>	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)
<b>Tax credit for the year</b>	<b>(265,404)</b>	(57,035)

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

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	2018 £	2017 £
<b>Revenue and other income</b>		
Revenue – sales of goods	13,552,726	14,246,930
Other income	31,080	31,636
Finance income	751	1,450
<b>Total revenue and other income</b>	<b>13,584,557</b>	14,280,016

Other income relates to grant funding from Scottish Enterprise.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

### 7 Revenue and expenses *continued*

Consolidated	2018 £	2017 £
Operating profit after exceptional items is stated after charging/(crediting):	<b>5,888,026</b>	—
Exceptional items (see table below)	<b>3,671,838</b>	3,499,957
Material costs	<b>495,395</b>	474,118
Depreciation	<b>(109,290)</b>	(102,015)
Capitalised depreciation (Note 8)	<b>238,471</b>	225,660
Amortisation of intangibles	<b>83,634</b>	(64,102)
Net foreign exchange losses/(gains)	<b>145,456</b>	199,906
Research costs	<b>284,675</b>	286,585
Operating lease rentals	<b>52,270</b>	254,834
Share-based payments		
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the annual accounts:	<b>20,000</b>	20,000
Local statutory audit of subsidiaries	<b>55,000</b>	53,000
Local statutory audit of the parent Company	<b>5,000</b>	5,000
Fees payable to the Company's auditors for other services:		
Taxation compliance	<b>12,500</b>	12,500
Taxation advisory	<b>5,000</b>	5,000

#### Exceptional items summary

	Omega GmbH £	Omega Dx £	Omega Diagnostics Limited £	Total £
Intangible assets	2,985,571	146,701	167,488	3,299,760
Fixed assets	765,175	411,381	—	1,176,556
Stock	683,770	46,368	—	730,138
Debtors	243,283	—	—	243,283
Facility lease obligation	—	212,569	—	212,569
Andrew Shepherd settlement	—	—	225,720	225,720
<b>Total</b>	<b>4,677,799</b>	<b>817,019</b>	<b>393,208</b>	<b>5,888,026</b>

The exceptional costs are explained in detail in the Financial Review. The 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 deferred tax liability in Germany of £367,266 was also written down to nil with a matching reduction of £367,266 in the deferred tax asset balance in Omega Dx. These two balances net off to nil in the income statement.

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	2018 number	2017 number
Operations	<b>120</b>	111
Management and administration	<b>77</b>	69
<b>Employee numbers</b>	<b>197</b>	180

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	<b>6,787,786</b>	5,806,881
Social security costs	<b>825,936</b>	706,146
Pension costs	<b>246,633</b>	178,440
Share-based payments	<b>52,270</b>	254,834
	<b>7,912,625</b>	6,946,301

#### Equity-settled share-based payments

Consolidated and Company

The share-based payment plans are described below.

##### *EMI Option Scheme and Unapproved Option Scheme*

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

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

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

## 7 Revenue and expenses continued

### Equity-settled share-based payments continued

Consolidated and Company continued

#### Second Unapproved Option Scheme (SUOS)

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

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

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

#### Third Unapproved Option Scheme (TUOS)

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

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

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

Under the EMI Option Scheme no options lapsed during the year and a further 50,000 were granted. Under the TUOS during the year no options were granted.

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

	2018 number	2018 WAEP	2017 number	2017 WAEP
Outstanding 1 April	11,023,695	20p	10,983,695	20p
Granted during the year under the EMI Option Scheme	50,000	15.25	40,000	19p
Granted during the year under the TUOS	—	—	—	—
Exercised during the year	(75,000)	16.17p	—	—
Lapsed during the year under the EMI Option Scheme	—	—	—	—
Outstanding at 31 March 2018	10,998,695	20p	11,023,695	20p
Exercisable at 31 March 2018	9,468,695	—	6,388,695	—

The following table lists the inputs to the model used for the years ended 31 March 2018 and 31 March 2017:

	EMI Option Scheme and Unapproved Option Schemes	
	2018	2017
Dividend yield	—	—
Expected volatility	34%	34%
Risk-free interest rate	5%	5%
Weighted average remaining contractual life	5.3 years	6.3 years
Weighted average share price	15.25p	19p
Exercise price	15.25p	19p
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

	2018 £	2017 £
Consolidated		
Fees	75,000	65,000
Emoluments	694,583	667,281
	769,583	732,281
Contributions to personal pension	33,031	32,875
	802,614	765,156
Members of a defined contribution pension scheme at the year end	4	4

Information in respect of individual Directors' emoluments is provided in the Directors' Remuneration Report on pages 18 and 19.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

**8 Intangibles**

	Goodwill £	Licences/ software £	Supply arrangements £	Technology assets £	Customer relationships £	Development costs £	Total £
<b>Cost</b>							
At 31 March 2016	4,600,160	1,748,540	493,204	2,137,355	1,158,334	5,667,297	15,804,890
Additions	—	3,226	—	—	—	—	3,226
Additions internally generated	—	—	—	—	—	2,167,749	2,167,749
Currency translation	103,005	13,987	40,632	13,376	87,190	37,204	295,394
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)
<b>At 31 March 2018</b>	<b>3,349,878</b>	<b>1,622,786</b>	<b>—</b>	<b>1,974,994</b>	<b>100,003</b>	<b>9,186,215</b>	<b>16,233,876</b>
<b>Accumulated amortisation</b>							
At 31 March 2016	—	190,481	493,204	1,002,534	656,316	—	2,342,535
Amortisation charge in the year	—	14,540	—	98,748	112,372	—	225,660
Currency translation	—	13,583	40,632	12,764	48,009	—	114,988
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)
<b>At 31 March 2018</b>	<b>—</b>	<b>59,325</b>	<b>—</b>	<b>1,045,100</b>	<b>100,003</b>	<b>—</b>	<b>1,204,428</b>
<b>Net book value</b>							
<b>At 31 March 2018</b>	<b>3,349,878</b>	<b>1,563,461</b>	<b>—</b>	<b>929,894</b>	<b>—</b>	<b>9,186,215</b>	<b>15,029,448</b>
At 31 March 2017	4,703,165	1,547,149	—	1,036,685	428,827	7,872,250	15,588,076
At 31 March 2016	4,600,160	1,558,059	—	1,134,821	502,018	5,667,297	13,462,355

Of the development costs balance above of £9,186,215 (2017: £7,872,250), costs of £2,859,814 (2017: £2,221,481) relate to the VISITECT® CD4 project, costs of £5,871,961 (2017: £5,069,500) relate to the Allersys® project, costs of £Nil (2017: £339,650) relate to the Allergodip® project, costs of £Nil (2017: £109,430) relate to the VISITECT® Malaria project and costs of £454,440 (2017: £132,189) relate to Food intolerance projects.

Of the licences/software balance above, £1,531,786 (2017: £1,531,786) is held on the balance sheet of the Company and relates to the IDS and CD4 licences.

£109,290 (2017: £102,015) of the additions internally generated in the year relates to capitalised depreciation on assets utilised for development activities.

**Impairment testing of goodwill and intangibles**

The Group tests goodwill annually for impairment or more frequently if there are indicators of impairment. The carrying amount of goodwill is indicated in the table above. The net book value of goodwill above for Genesis/CNS amounts to £3,016,892 (2017: £3,016,892), for Co-Tek amounts to £332,986 (2017: £332,986) and for Omega Diagnostics GmbH amounts to £Nil (2017: £1,353,287).

The recoverable amount of Genesis/CNS and Co-Tek has been determined based on a value in use calculation using cash flow projections based on the actual results for the year ended 31 March 2018 and the financial budget approved by the Board covering the period to 31 March 2019, with projected cash flows for the years ending 31 March 2020 to 31 March 2022 based on a growth rate of 3% per annum.

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

The intangible assets in both Omega Diagnostics GmbH and Omega Dx have been written down to £Nil in the year as detailed in the exceptional costs item summary on page 3 of the Strategic Review.

In line with IAS 36 a value in use calculation has been prepared to support both the VISITECT® CD4 and Allersys® project costs. The recoverable amount for VISITECT® CD4 has been determined based on projections through to March 2022 assuming an increased number of unit sales each year as the product achieves market acceptance and achieves product registration in individual countries.

The recoverable amount for the Allersys® project has been determined based on projections through to March 2022 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.

## 8 Intangibles continued

### Impairment testing of goodwill and intangibles continued

In all cases, the Company also makes assumptions in regard to having sufficient production personnel to cope with increased volumes. The discount rate applied to cash flows is 12.94% (2017: 12.94%) for the Group, which takes account of other risks specific to each segment such as currency risk, geography and price risk. The discount rate is the weighted average cost of the pre-tax cost of debt financing and the pre-tax cost of equity financing from a market participant perspective. As a result of our impairment review, other than the exceptional cost write offs detailed, there has been no impairment to the carrying value of goodwill or intangibles.

### Sensitivity analysis

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

## 9 Property, plant and equipment

Consolidated	Land and property £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>					
At 31 March 2016	649,975	799,220	3,883,989	8,251	5,341,435
Additions	—	192,116	399,261	—	591,377
Disposals	—	—	(2,828)	—	(2,828)
Currency translation	53,549	68,884	70,290	—	192,723
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)
<b>At 31 March 2018</b>	<b>—</b>	<b>838,771</b>	<b>3,610,761</b>	<b>—</b>	<b>4,449,532</b>
<b>Accumulated depreciation</b>					
At 31 March 2016	93,305	207,835	2,340,322	8,251	2,649,713
Charge in the year	18,886	79,728	375,504	—	474,118
Disposals	—	—	(2,015)	—	(2,015)
Currency translation	8,053	1,645	47,881	—	57,579
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)	10,805	493	13,992
Asset provisions	(154,919)	(13,409)	(668,928)	14,328	(822,928)
<b>At 31 March 2018</b>	<b>—</b>	<b>357,528</b>	<b>2,379,071</b>	<b>—</b>	<b>2,736,599</b>
<b>Net book value</b>					
<b>At 31 March 2018</b>	<b>—</b>	<b>481,243</b>	<b>1,231,690</b>	<b>—</b>	<b>1,712,933</b>
At 31 March 2017	583,280	771,012	1,589,020	—	2,943,312
At 31 March 2016	556,670	591,385	1,543,667	—	2,691,722

The asset provisions are detailed in the Strategic Review on page 3.

£109,290 (2017: £102,015) 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 2018 is £439,983 (2017: £488,870).

## 10 Inventories

	2018 £	2017 £
Raw materials	1,172,512	1,499,900
Work in progress	291,878	225,968
Finished goods and goods for resale	359,571	651,707
	<b>1,823,961</b>	<b>2,377,575</b>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

**11 Trade and other receivables**

Consolidated	2018 £	2017 £
Trade receivables	<b>2,305,964</b>	1,814,219
Less provision for impairment of receivables	—	(14,117)
Trade receivables – net	<b>2,305,964</b>	1,800,102
Prepayments and other receivables	<b>663,446</b>	660,314
	<b>2,969,410</b>	2,460,416

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

Company	2018 £	2017 £
Prepayments and other receivables	<b>28,400</b>	12,196
Due from subsidiary companies	<b>8,542,023</b>	6,070,666
	<b>8,570,423</b>	6,082,862

**Analysis of trade receivables**

Consolidated	2018 £	2017 £
Neither impaired nor past due	<b>1,335,832</b>	1,646,583
Past due but not impaired	<b>970,132</b>	153,519

Company	2018 £	2017 £
Neither impaired nor past due	<b>8,542,023</b>	6,070,666

**Ageing of past due but not impaired trade receivables**

	2018 £	2017 £
Up to three months	<b>877,889</b>	139,503
Between three and six months	<b>85,691</b>	24,851
More than six months	<b>6,552</b>	3,281

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

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

**12 Interest-bearing loans and borrowings and financial instruments**

Consolidated	2018 £	2017 £
<b>Current</b>		
Obligations under finance leases	<b>154,049</b>	155,494
	<b>154,049</b>	155,494
<b>Non-current</b>		
Obligations under finance leases	<b>728,830</b>	275,890
	<b>728,830</b>	275,890

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:

	2018 £	2017 £
Future minimum payments due:		
Not later than one year	223,297	170,168
After one year but not more than five years	450,353	296,816
After five years	704,220	—
	<b>1,377,870</b>	466,984
Less finance charges allocated to future periods	494,991	35,600
Present value of minimum lease payments	<b>882,879</b>	431,384
The present value of minimum lease payments is analysed as follows:		
Not later than one year	154,049	155,494
After one year but not more than five years	252,724	275,890
After five years	476,106	—
	<b>882,879</b>	431,384
Changes in liabilities:		
Opening finance lease obligations	431,384	410,697
New leases	625,330	163,000
Less cash flows	(173,835)	(142,313)
Closing finance lease obligations	<b>882,879</b>	431,384

Included in finance lease obligations is £0.6 million relating to the sale and leaseback of the German manufacturing plant.

## 13 Trade and other payables

Consolidated	2018 £	2017 £
Trade payables	1,436,159	943,120
Social security costs	232,801	214,112
Accruals and other payables	933,109	605,727
	<b>2,602,069</b>	1,762,959

In the current year Scottish Enterprise grant funding (in relation to the Allersys® development project) totalling £357,360 (2017: £238,067) 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 £212,569 in relation to the facility lease obligation in India.

Company	2018 £	2017 £
Trade payables	72,596	3,110
Accruals and other payables	130,589	143,032
Due to subsidiary companies	3,355,252	1,646,616
	<b>3,558,437</b>	1,792,758

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	2018 £	2017 £
Temporary differences	125,790	69,118
Tax losses carried forward	1,124,292	1,582,827
	<b>1,250,082</b>	1,651,945

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.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

### 14 Deferred taxation continued

The deferred tax liability is made up as follows:

Consolidated	2018 £	2017 £
Fair value adjustments on acquisition	145,029	213,211
Accelerated capital allowances	166,126	186,692
Capitalised research and development	1,229,946	986,999
Accelerated tax amortisation on intangibles	—	367,266
Other timing differences	78,694	56,942
	<b>1,619,795</b>	1,811,110

### 15 Share capital

Company	2018 number	2017 number
<b>Authorised share capital</b>		
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
<b>Issued and fully paid ordinary share capital</b>		
At the beginning of the year	108,745,669	108,745,669
Issued during the year	18,213,391	—
At the end of the year	<b>126,959,060</b>	108,745,669

In July 2017 the Company issued 18,138,391 new ordinary shares at a price of 18 pence per share. In September 2017 the Company allotted 75,000 new ordinary shares following the exercise of share options by an employee.

During the year ended 31 March 2018, the Company granted options over 50,000 ordinary shares (Note 7) at an average exercise price of 15.25 pence per share. The options will expire if not exercised within ten years of the date of grant.

### 16 Commitments and contingencies

#### Operating lease commitments

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

Consolidated	2018 £	2017 £
<b>Land and buildings</b>		
Within one year	433,771	457,972
Within two to five years	359,842	722,849
After five years	—	—
<b>Other</b>		
Within one year	121,288	98,476
Within two to five years	229,180	239,997
After five years	—	165

Land and buildings leases in force for Omega Diagnostics Limited premises extend to 30 June 2021. The land and buildings leases in force for the premises of Genesis Diagnostics Limited and Cambridge Nutritional Sciences extend to September 2019 with an option to extend December 2019. The land and buildings leases in force for the Omega Dx (Asia) facility in Pune extend to May 2019. An onerous lease provision has been created for the Pune lease and is detailed in the exceptional items summary table on page 3 of the Strategic Review.

Other leases are in force for office equipment items and extend to time periods ranging from April 2018 to January 2023. The leases may be extended at the expiry of their term.

#### Performance bonds

The Group has performance bonds and guarantees in place amounting to £242,863 at 31 March 2018 (2017: £267,039).

### 17 Related party transactions

#### Remuneration of key personnel

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

	2018 £	2017 £
Short-term employee benefits	1,783,574	1,606,727
Share-based payments	50,750	228,468
Post-employment benefits	75,567	71,295
	<b>1,909,891</b>	1,906,490

Included within short-term employee benefits are amounts paid to MBA Consultancy of £25,000 (2017: £25,000), a company controlled by David Evans, and £50,000 (2017: £40,000) paid to Third Day Advisors, a company controlled by William Rhodes.

## 17 Related party transactions continued

### Other related party transactions

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

At 31 March 2018	ODG £	ODL £	Genesis £	CNS £	Co-Tek £	GmbH £	Dx (Asia) £
Omega Diagnostics Group PLC	—	(5,318,307)	(3,003,468)	3,214,935	—	(2,760,411)	(220,248)
Omega Diagnostics Limited	5,318,307	—	2,097,513	2,734,984	32,429	—	(41,763)
Genesis Diagnostics Limited	3,003,468	(2,097,513)	—	(1,077,357)	(317,739)	—	(73,541)
Cambridge Nutritional Sciences Limited	(3,214,935)	(2,734,984)	1,077,357	—	(181,231)	—	(11,875)
Co-Tek (South West) Limited	—	(32,429)	317,739	181,231	—	—	—
Omega Diagnostics GmbH	2,760,411	—	—	—	—	—	(2,034)
Omega Dx (Asia)	220,248	41,763	73,541	11,875	—	2,034	—

At 31 March 2017	ODG £	ODL £	Genesis £	CNS £	Co-Tek £	GmbH £	Dx (Asia) £
Omega Diagnostics Group PLC	—	(2,281,560)	(1,435,889)	1,646,616	—	(2,353,217)	—
Omega Diagnostics Limited	2,281,560	—	1,905,486	3,487,424	20,189	—	(47,219)
Genesis Diagnostics Limited	1,435,889	(1,905,486)	—	(584,334)	(166,373)	—	(42,079)
Cambridge Nutritional Sciences Limited	(1,646,616)	(3,487,424)	584,334	—	(181,231)	—	(5,924)
Co-Tek (South West) Limited	—	(20,189)	166,373	181,231	—	—	—
Omega Diagnostics GmbH	2,353,217	—	—	—	—	—	—
Omega Dx (Asia)	—	47,219	42,079	5,924	—	—	—

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

	2018 £	2017 £
<b>Balance at 1 April 2017</b>	<b>4,424,050</b>	4,278,619
Charges to subsidiary companies	2,392,402	2,093,765
Transfers of cash from subsidiary companies	1,271,047	(1,948,334)
<b>Balance at 31 March 2018</b>	<b>8,087,499</b>	4,424,050

## 18 Retirement benefit obligations

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

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

### (a) Defined contribution schemes

The Group makes contributions to personal plans of employees on a defined contribution basis. The Group does not have ownership of the schemes, with individual plans being arrangements between the employee and pension provider. For new hires in Germany, after 1 January 2011, the support fund (LV 1871 Unterstützungskasse e.V.) is the defined contribution scheme used. The total Group contributions for the year amounted to £76,654 (2017: £86,070).

### (b) Defined benefit schemes

The Deutscher Pensionsfonds AG and the LV 1871 Unterstützungskasse e.V. schemes give the rights to defined future benefits. Of these benefits the past service component is based on years of service and salary as of 1 January 2011 and is provided by the Deutscher Pensionsfonds AG. The remaining benefits based on years of service after 1 January 2011 as well as salary increases are provided by the LV 1871 Unterstützungskasse e.V. scheme. These are mainly dependent on the number of earning years and salary level at pension age. Some of the commitments are covered through an insurance company and are compliant with the requirements of German insurance laws. A qualifying insurance policy asset is therefore included in the fair value of plan assets. Pension costs relating to each scheme operating in Germany are charged in accordance with IAS 19 – Employee Benefits. Formal valuations of each scheme have been carried out by Towers Watson (Reutlingen) GmbH, who are independent, professionally qualified actuaries, on 26 April 2018 using the following assumptions:

	2018	2017
Discount rate	1.75%	2.00%
Future salary increases	2.50%	2.50%
Future pension increases	1.75%	1.75%
Price inflation	1.75%	1.75%

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

**18 Retirement benefit obligations** continued

**(b) Defined benefit schemes** continued

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

	2018 £	2017 £
Defined benefit obligation	2,879,516	2,505,629
Fair value of plan assets	2,562,222	2,448,430
<b>Net liability</b>	<b>(317,294)</b>	<b>(57,199)</b>

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

	2018 £	2017 £
Current service costs	76,907	112,462
Interest cost on the defined benefit obligation	51,028	46,133
Interest income on plan assets	(51,007)	(48,436)
<b>Total included in employee benefits expense</b>	<b>76,928</b>	<b>110,159</b>

The current service costs for the year, £76,907 (2017: £112,462), have been included in administration costs.

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

	2018 £	2017 £
Actuarial loss arising during the period	(97,390)	(49,411)
Return on plan assets	29,399	58,537
<b>Total actuarial (loss)/gain on pensions</b>	<b>(67,991)</b>	<b>9,126</b>

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

	2018 £	2017 £
Opening defined benefit obligation	2,505,629	2,152,951
Current service cost	76,907	112,462
Interest cost	51,028	46,133
Actuarial loss/(gain) due to:		
Changes in demographic assumptions	97,390	49,141
Changes in financial assumptions	131,660	—
Exchange differences on foreign plans	71,204	177,642
Benefits paid	(54,302)	(32,700)
<b>Closing defined benefit obligation</b>	<b>2,879,516</b>	<b>2,505,629</b>

The weighted average duration of the defined benefit obligation is 19.3 years.

(v) Changes in plan assets during the year:

	2018 £	2017 £
Opening fair value of plan assets	2,448,430	2,197,710
Interest income	51,007	48,436
Return on plan assets	(29,399)	(58,537)
Contributions by employer	76,907	112,462
Exchange differences on foreign plans	69,579	181,059
Benefits paid	(54,302)	(32,700)
<b>Closing fair value of plan assets</b>	<b>2,562,222</b>	<b>2,448,430</b>

Fair value of plan assets:

	2018			2017		
	Quoted £	Unquoted £	Total £	Quoted £	Unquoted £	Total £
Equities	387,818	—	387,818	343,560	—	343,560
Bonds/debt instruments	1,374,990	—	1,374,990	1,374,240	—	1,374,240
Cash/other	799,414	—	799,414	730,630	—	730,630
<b>Total value of plan assets</b>	<b>2,562,222</b>	<b>—</b>	<b>2,562,222</b>	<b>2,448,430</b>	<b>—</b>	<b>2,448,430</b>

## 18 Retirement benefit obligations continued

### (b) Defined benefit schemes continued

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

	2018	2017
Equities	15%	14%
Bonds/debt instruments	54%	56%
Cash/other	31%	30%

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

The Group expects to contribute £76,907 to its defined benefit pension plans in the year ending 31 March 2019.

(vii) Mortality assumptions:

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

(viii) Sensitivity analysis:

Changes in assumptions compared with March 2018 actuarial assumptions:

	Effect on defined benefit obligation 2018 £	Effect on defined benefit obligation 2017 £
<b>Discount rate</b>		
Increase by 1%	(478,400)	(419,024)
Decrease by 1%	626,917	549,486
<b>Inflation rate</b>		
Increase by 0.5%	262,128	233,734
Decrease by 0.5%	(233,531)	(273,755)
<b>Salary increase</b>		
Increase by 0.5%	53,210	52,711
Decrease by 0.5%	(50,779)	(120,939)

## 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	2018 £	2017 £
Investment in Omega Diagnostics Limited <sup>(1)</sup>	UK	1,752,884	1,752,884
Investment in Genesis Diagnostics Limited <sup>(2)</sup>	UK	1,845,066	1,845,066
Investment in Cambridge Nutritional Sciences Limited <sup>(2)</sup>	UK	4,034,110	4,034,110
Investment in Co-Tek (South West) Limited <sup>(3)</sup>	UK	480,978	480,978
Investment in Bealaw (692) Limited <sup>(3)</sup>	UK	1	1
Investment in Bealaw (693) Limited <sup>(3)</sup>	UK	1	1
Investment in Omega Diagnostics GmbH <sup>(4)</sup>	Germany	—	2,542,321
Investment in Omega Dx (Asia) <sup>(5)</sup>	India	1,828,078	2,089,798
		<b>9,941,118</b>	12,745,159

The Company invested a further £342,730 in Omega Dx (Asia) taking the total investment to £2,432,528. At the year end the investment was written down by £604,450, representing the exceptional asset write offs, taking the carried forward investment value to £1,828,078.

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

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

The Company's investment in Omega Diagnostics GmbH was written down to £Nil in the 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 – Herrengarten 1, 21465, Reinbek.

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

## 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.

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

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

## 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.

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

## 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	Loans and receivables £	Total £
<b>2018</b>		
Trade receivables	2,305,964	2,305,964
Cash and cash equivalents	115,719	115,719
	<b>2,421,683</b>	<b>2,421,683</b>

Assets as per the consolidated balance sheet	Loans and receivables £	Total £
<b>2017</b>		
Trade receivables	1,800,102	1,800,102
Cash and cash equivalents	737,331	737,331
	<b>2,537,433</b>	<b>2,537,433</b>

Assets as per the Company balance sheet	Loans and receivables £	Total £
<b>2018</b>		
Due from subsidiary companies	8,542,023	8,542,023
Cash and cash equivalents	—	—
	<b>8,542,023</b>	<b>8,542,023</b>

## 21 Financial instruments continued

Assets as per the Company balance sheet	Loans and receivables £	Total £
<b>2017</b>		
Due from subsidiary companies	6,070,666	6,070,666
Cash and cash equivalents	292,404	292,404
	6,363,070	6,363,070

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
<b>2018</b>			
Trade payables	—	1,436,159	1,436,159
Obligations under finance leases	—	882,879	882,879
	—	<b>2,319,038</b>	<b>2,319,038</b>

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
<b>2017</b>			
Trade payables	—	943,120	943,120
Obligations under finance leases	—	431,384	431,384
	—	1,374,504	1,374,504

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
<b>2018</b>			
Trade payables and amounts due to subsidiary companies	—	<b>3,427,848</b>	<b>3,427,848</b>

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
<b>2017</b>			
Trade payables and amounts due to subsidiary companies	—	1,649,726	1,649,726

### 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 2018 (and 31 March 2017) the Group had not entered into any hedge transactions.

**21 Financial instruments** continued**Financial risk management** continued

## Foreign currency risk continued

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 £
<b>2018</b>			
Trade and other receivables	<b>5%</b>	<b>(27,084)</b>	—
Trade and other payables	<b>5%</b>	<b>(44,705)</b>	—
Cash and cash equivalents	<b>5%</b>	<b>16,609</b>	—
Net investment in overseas subsidiary	<b>5%</b>	—	<b>353,182</b>
<b>2017</b>			
Trade and other receivables	5%	64,907	—
Trade and other payables	5%	(46,546)	—
Cash and cash equivalents	5%	13,488	—
Net investment in overseas subsidiary	5%	—	550,043

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:

	<b>2018 Trade receivables £</b>	2017 Trade receivables £
UK/Europe	<b>1,122,804</b>	799,640
North America	—	127,634
South/Central America	<b>498,218</b>	66,090
Asia and the Far East	<b>314,082</b>	475,335
Africa and the Middle East	<b>370,860</b>	331,403
	<b>2,305,964</b>	1,800,102

## 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 2018 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 £
<b>2018</b>					
Trade payables	1,436,159	—	—	—	1,436,159
Obligations under finance leases	40,407	175,645	457,598	704,220	1,377,870
	<b>1,476,566</b>	<b>175,645</b>	<b>457,598</b>	<b>704,220</b>	<b>2,814,029</b>
<b>2017</b>					
Trade payables	943,120	—	—	—	943,120
Obligations under finance leases	32,421	137,748	296,816	—	466,985
	975,541	137,748	296,816	—	1,410,105

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2018 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 £
<b>2018</b>				
Trade payables and amounts due to subsidiary companies	3,427,848	—	—	3,427,848
	<b>3,427,848</b>	<b>—</b>	<b>—</b>	<b>3,427,848</b>
<b>2017</b>				
Trade payables and amounts due to subsidiary companies	1,649,726	—	—	1,649,726
	1,649,726	—	—	1,649,726

#### 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 £
<b>2018</b>		
Cash and cash equivalents	25	1,066
<b>2017</b>		
Cash and cash equivalents	25	2,549

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 £
<b>2018</b>		
Cash and cash equivalents	25	(16)
<b>2017</b>		
Cash and cash equivalents	25	1,112

## **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 2018 and 31 March 2017. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the accounts.

The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2018 and 31 March 2017 represents the Group's maximum exposure to credit risk.

## **22 Subsequent events**

On 28 June the Group agreed to dispose of its Infectious disease business (the "ID Assets"), excluding the VISITECT® CD4 test, to Novacyt SA ("Novacyt"), an international specialist in clinical diagnostics (the "Disposal").

The total consideration for the Disposal is up to £2.175 million, of which £0.375 million is subject to certain post-completion conditions being met which are estimated to take up to twelve months. In the year to 31 March 2017 it is estimated that the ID Assets generated revenues of approximately £2.5 million and a profit before central overheads of approximately £0.3 million. Based on the unaudited results for the year to 31 March 2018, it is estimated that the ID Assets generated a similar level of revenue and profit. The consideration is due in cash and the initial element of £1.8 million was paid on completion on 28 June 2018.

The ID Assets had a book value at 30 September 2017 of approximately £0.6 million, the majority of which was comprised of stock. The asset value at completion is expected to be at a similar level to September 2017.

The Company has also entered into a Transitional Services Agreement with Novacyt, under which Omega will provide certain services, including manufacturing and storage services, for up to twelve months post completion. At completion, two employees of the Company will transfer to Novacyt under the TUPE Regulations.

The net proceeds of the Disposal will be used to provide working capital as the Company continues to focus on realising the value of VISITECT® CD4, working with partner IDS to deliver on Allersys® and exploring all avenues for realising value for our Food intolerance business. This refocused strategy was outlined in the Company's strategic review of early April.

## NOTICE OF ANNUAL GENERAL MEETING

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 14 September 2018 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 2018.
2. To re-appoint Ernst & Young LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
3. To re-elect Mr Colin King as a Director of the Company.
4. That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £1,692,787.44 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 2019 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 5 is proposed as a special resolution.

5. That, conditional upon the passing of resolution 4 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 4 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:
  - 5.1 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
  - 5.2 the allotment of Ordinary Shares otherwise than pursuant to subparagraph 5.1 above up to an aggregate nominal amount of £253,918.12,

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 2019, 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**  
3 August 2018

Registered in England and Wales number: 5017761

[www.omegadiagnostics.com](http://www.omegadiagnostics.com)

Omega Diagnostics Group PLC  
One Fleet Place  
London  
EC4M 7WS  
United Kingdom

Tel: +44 (0)1259 763030

Fax: +44 (0)1259 761853

### **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 12 September 2018 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](http://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 126,959,060 ordinary shares of 4 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is as at the date of this Annual Report.

### **Communications with the Company**

9. Except as provided above, members who have general queries about the Meeting should telephone Kieron Harbinson on +44 (0)1259 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.

## ADVISERS

### **Nominated adviser and broker**

**finnCap Limited**  
60 New Broad Street  
London EC2M 1JJ

### **Auditors**

**Ernst & Young LLP**  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

### **Solicitors**

**Brodies LLP**  
15 Atholl Crescent  
Edinburgh EH3 8HA

### **Registrars**

**Share Registrars Limited**  
The Courtyard  
17 West Street  
Farnham  
Surrey GU9 7DR

### **Public relations**

**Walbrook PR Limited**  
4 Lombard Street  
London EC3V 9HD

### **Country of incorporation**

England & Wales

### **Omega Diagnostics Group PLC**

Registered number: 5017761



Printed by Fontain on FSC® certified paper. 100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average, 99% of any waste associated with this production will be recycled. This document is printed on Novatech Silk. This paper is from an FSC® certified forest.

Produced by

**designportfolio**



**Omega Diagnostics Group PLC**

Omega House  
Hillfoots Business Village  
Alva FK12 5DQ  
Scotland  
United Kingdom

[www.omegadiagnostics.com](http://www.omegadiagnostics.com)

Tel: +44 (0)1259 763030

Fax: +44 (0)1259 761853