



# Because health matters

**Omega Diagnostics Group PLC**  
Annual Report and Group Financial Statements 2017



YOUR GLOBAL PARTNER IN DIAGNOSTICS  
**1987 - 2017**

# Continuing our progress with accelerated growth

## October 2015

Opened manufacturing facility in Pune, India.

**3** For more information on the new facility in Pune

## August 2016

Secured a Scottish Enterprise research and development grant of £1.8 million.

## November 2016

Accelerated recruitment of skilled project managers and leaders into our scientific team.

## November 2015

Initiated business plan to accelerate growth across all three operating segments.

## October 2016

CE-marked our allergy launch panel comprising 41 allergens which are now available for sale.

## January 2017

Gained ISO accreditation for manufacturing facility in Pune, India.

## Financial highlights

Sales (£m)

**£14.2m**

↑ 12%

17	14.2
16	12.7
15	12.1

Gross profit (£m)

**£9.2m**

↑ 13%

17	9.2
16	8.1
15	7.7

Gross profit (%)

**64.7%**

↑ 0.9%

17	64.7
16	63.8
15	63.4

Adjusted profit before tax (£m)\*

**£1.1m**

↓ 16%

17	1.1
16	1.4
15	1.4

## Operational highlights

- Scottish Enterprise grant funding of £1.8 million secured towards planned expansion of Allersys® menu
- CE mark achieved for 41 allergens to run on IDS-iSYS platform
- Four new Allergodip® panels now optimised
- Recruitment of skilled project managers and leaders into scientific teams
- Food intolerance division continues its strong performance
- Formal design freeze attained with our VISITECT® CD4 test
- CE mark achieved for VISITECT® Malaria tests to be manufactured at our facility in Pune

\* The Group defines adjusted profit before taxation as statutory profit before tax and amortisation of intangible assets, share-based payment charges and IFRS-related discount 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.

## March 2017

CE mark achieved for VISITECT® range of malaria tests.

## April 2017

Attained formal design freeze for VISITECT® CD4 test after successfully manufacturing three pilot batches.

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



- f** [Omega Diagnostics Group PLC](#)
- in** [Omega Diagnostics Group PLC](#)
- t** [@OmegaDiagnostic](#)

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

## Our range of products

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



**Allergy and autoimmune**

**Main products:**

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

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



**Food intolerance**

**Main products:**

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

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



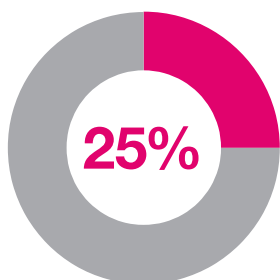
**Infectious disease**

**Main products:**

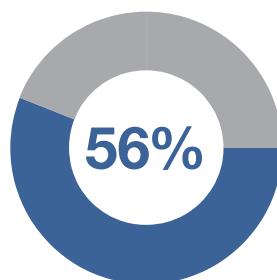
- Immutrep® Syphilis
- Micropath® bacterial tests
- VISITECT® Malaria

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.

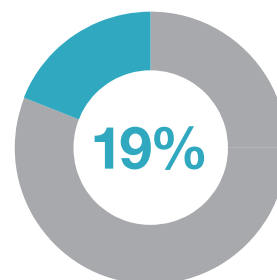
Revenue share  
**£3.6m**



Revenue share  
**£8.0m**



Revenue share  
**£2.6m**



## Our global presence

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

### 1 Alva

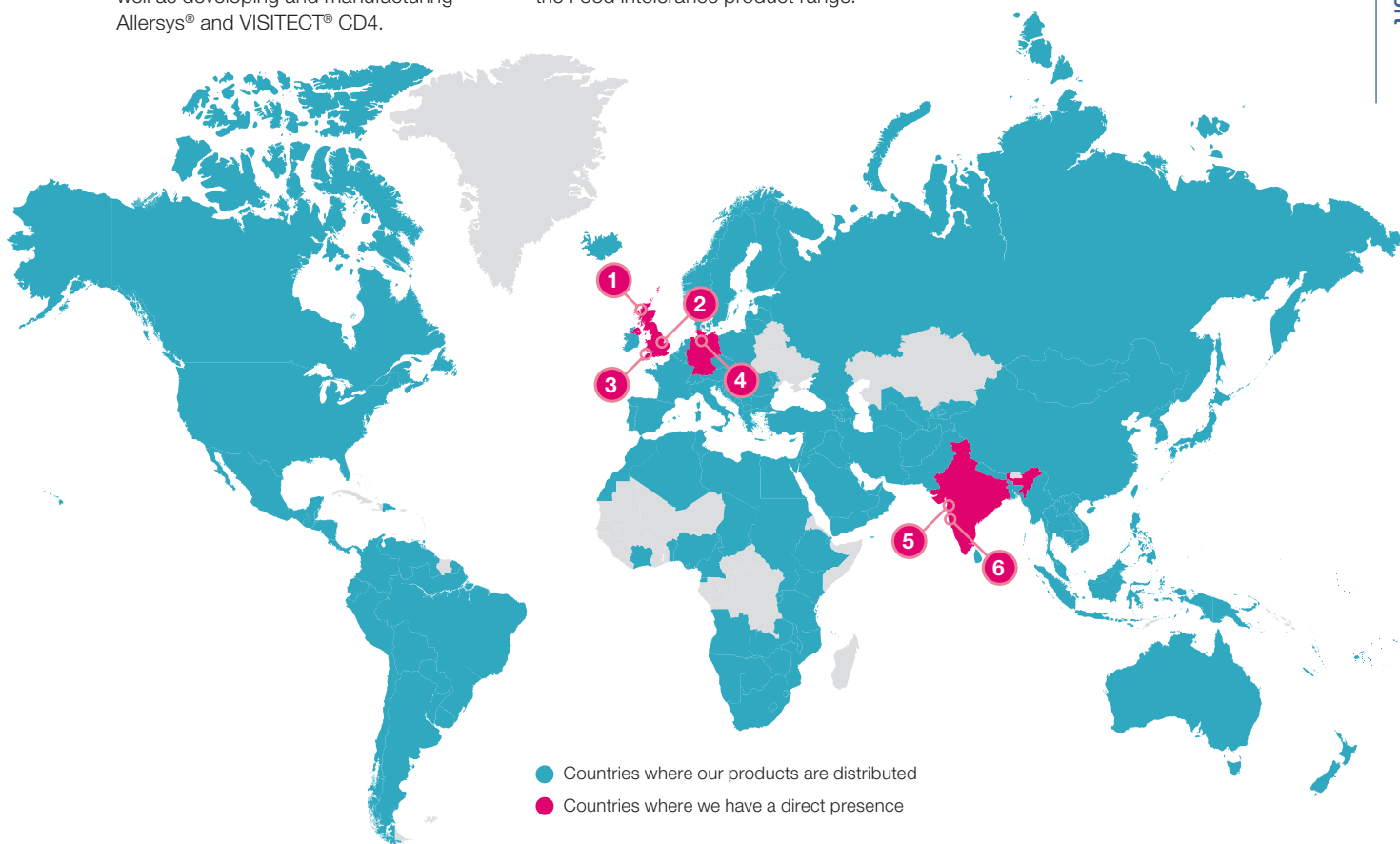
Located in Alva, Clackmannanshire, Scotland, Omega Diagnostics Limited manufactures and sells a range of immunoassay tests, predominantly for infectious diseases, as well as developing and manufacturing Allersys® and VISITECT® CD4.

### 2 Cambridge

Located in Cambridgeshire, England, are Genesis Diagnostics Limited and its sister company Cambridge Nutritional Sciences Limited, which develop and manufacture the Food intolerance product range.

### 3 Devon

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



### 4 Reinbek

Located in Reinbek, Germany, Omega Diagnostics GmbH manufactures and sells a range of allergen tests, as well as developing the Allergodip® product range.

### 5 Mumbai

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

### 6 Pune

Located in Pune, India, and part of Omega Dx (Asia) Pvt Limited, the manufacturing facility during the year has successfully undergone an annual inspection from the Indian FDA, confirming the facility is compliant with GMP processes for manufacturing, testing, storage and QA processes and that its manufacturing licence

is valid until January 2021. The Pune facility will now manufacture and sell its CE-marked VISITECT® range of malaria tests.

The facility will develop other rapid tests to support the malaria tests.

**14** For more information on our people

**11** For more information see our Products and Markets Overview

# I am pleased to be able to report progress on a number of activities within our operations, which I have outlined below



**David Evans**  
Non-executive Chairman

## Strategy

### Point-of-care (POC) testing VISITECT® CD4

We achieved a significant milestone in attaining formal design freeze with our VISITECT® CD4 test for monitoring the immune status of people living with HIV following the successful manufacture of three pilot batches. Devices from these batches were tested at three UK hospital sites, on sufficient numbers of patient samples to demonstrate that we now have a method for manufacturing devices which consistently meets our design goal specifications regarding sensitivity and specificity.

We have now moved into the validation and verification phase of the programme which can be summarised across the following activities:

- manufacturing of validation batches to confirm manufacturing robustness/reproducibility;
- utilising validation batches to verify performance;
- external performance evaluation trials; and
- CE mark.

We have selected two sites in the UK and one site in India to undertake evaluation studies. This is an important phase in the project and we will give ourselves sufficient time to demonstrate that we can transfer the product from development to routine manufacturing.

We continually assess the market landscape for this product and it seems clear that there is an increasing emphasis on the continued need for monitoring CD4 levels in people living with HIV, particularly those patients with low CD4 counts who are at significant risk of contracting opportunistic infections. The Company has built up relationships with a number of key opinion leaders over the years and so we have a voice that enables us to input into key stakeholder meetings. We have been invited to attend the ninth International AIDS Society Conference on HIV Science (IAS 2017) to be held in Paris in late July where VISITECT® CD4 will be showcased.

#### Pune manufacturing facility

We made a significant amount of progress during the year with our manufacturing facility in Pune, India.

In January, we announced that we received certificates of accreditation from BSI confirming our Quality Management System is compliant with ISO 9001:2008 and ISO 13485:2003. In March, we confirmed the facility underwent an annual inspection from the Indian FDA, confirming that the facility is compliant with GMP processes for manufacturing, testing, storage and QA, and that we were issued with a manufacturing licence which is valid until January 2021.

We also announced that we were successful in CE-marking and launching our VISITECT® range of malaria tests comprising:

- VISITECT® Malaria Pf (detection of HRP2 antigen in *P. falciparum*);
- VISITECT® Malaria Pf/Pan (detection of *P. falciparum*, non-*P. falciparum* or mixed infections); and
- VISITECT® Malaria Pf/Pv (detection and differentiation of *P. falciparum* and *P. vivax*).

These products are currently available for general sale through business-to-business channels in those countries which do not require individual product registration and we are in the process of being evaluated for additional regulatory approvals to enable the Company to participate in higher volume tender business.

We are also in the process of evaluating additional rapid tests for dengue, syphilis, leptospirosis, brucella and *S. typhi*.

#### Allergy automation

In October last year, we reported that we CE-marked our initial Allersys® launch panel comprising 41 allergens. Since October, we have optimised a further eleven allergens and these are currently undergoing their claim support work, which should enable us to add them to the menu of tests available for sale. Two initiatives will help support the ongoing work to extend the menu beyond the initial launch panel, ensuring we enhance our product offering on a continuous basis. Firstly, in August last year, we secured a Scottish Enterprise research and development grant of £1.8 million and this has enabled us to accelerate recruitment of skilled project managers and leaders into the scientific team. Secondly, we have invested in creating our own in-house protein purification capability which will help in the optimisation programme of certain allergens that require a higher degree of characterisation to match the performance of the market leader.

Our commercialisation objectives are closely aligned with our partner company IDS, which is the manufacturer of the automated instrument over which we have exclusive rights to develop and sell our allergy tests. We have explored a number of routes in the last year on how best to take the partnership forward. Whilst IDS previously expressed an interest in acquiring the allergy business, we both subsequently concluded that our mutual objectives were better served with an enlarged distribution model. I believe we have now agreed the main outline terms which should enable the formal contract negotiations to proceed and we thank shareholders for their patience during this process.

### Core business

Our core business is divided into our three main areas of operation comprising:

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

Our strategic aims are to ensure that we can drive good growth across all three sectors in a way that achieves a balance such that we are not over-reliant on any single sector. I have already outlined initiatives that support growth in Allergy and autoimmune and Infectious disease.

We believe there are further significant opportunities for growth in Food intolerance and have made progress in North America, where customers are evaluating our products. In China, we are in advanced discussions with a partner company which could provide access to a large market which is increasingly aware of Food intolerance testing products and services.

In relation to our Food Detective® product, the Company has been in discussions this year with our notified body, Lloyds Register Quality Assurance (LRQA), regarding use of the self-test version of the kit. The Company has agreed a timescale to complete some corrective actions to LRQA's satisfaction. In the event that we are unable to achieve this, the CE mark for the self-test kit will be suspended for a period of time which would have a modest impact on revenues and profits.

### Financial performance

Group revenue grew by 12% to £14.2 million (2016: £12.7 million) with growth in revenue across all three business sectors. As a predominantly export business, we benefited from a weaker sterling throughout the year, which added £1.1 million to reported revenues (2016: £0.2 million). On a constant currency basis, revenue would have been ahead of last year by 3%. Gross profit increased to £9.2 million (2016: £8.1 million), with an increase in gross profit margin to 64.7% (2016: 63.8%). Adjusted profit before tax (statutory profit before tax of £0.7 million with add backs for amortisation of intangible assets, share-based payment charges and IFRS-related discount charges) was £1.1 million (2016: £1.3 million) and adjusted earnings per share were 1.1 pence (2016: 1.2 pence), the small reduction reflecting an increase in overhead expenditure compared to the previous year. Statutory earnings per share were 0.7 pence (2016: 0.5 pence).

The Group's cash position at the year end was £0.7 million (2016: £1.3 million), which represented a neutral cash flow in the second half of the financial year. We continue to monitor our working capital management in the conversion of adjusted operating profit (operating profit excluding share-based payments and amortisation of intangible assets) into operating cash and the conversion factor for the year was 171% (2016: 108%).

### Corporate governance

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

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

### Board and employees

There has been no change to the composition of the Board throughout the year. Employees remain a key part of our Group's success and we have introduced new training programmes for our managers and supervisors to enable them to develop themselves to the best of their ability. Wherever possible, we seek to fill new roles in the organisation with internal candidates and we have been able to promote a number of people in the year.

The Group now has 180 employees around the world and I thank them for their hard work and efforts which have achieved much progress on a number of fronts this year.

### Outlook

We are encouraged that trading in the first quarter of the new financial year is in line with our expectations.

We have made a significant amount of progress with a number of key assets that will underpin future growth:

- Allersys® reagents are now CE-marked with the menu continuing to grow;
- VISITECT® CD4 has achieved design freeze;
- manufacturing facility in Pune, India, is now fully validated; and
- VISITECT® Malaria has now been CE-marked.

Since December last year, the Company has been seeking to agree global distribution terms with its Allersys® licensor (Immunodiagnostic Systems Holdings plc (IDS)). The Company believes that it has made good progress and the Directors believe that once we get beyond the contractual process, the sales and marketing teams of both organisations will be capable of making a success of the Company's allergy products.

CD4 testing remains a practical and necessary marker for assessment of the baseline status of HIV infection. We are confident that we will meet the remaining challenges within the validation programme that will determine our ability to manufacture a product at scale which meets the market's need.

We have also identified a number of organic growth opportunities for all our business segments which augurs well for the future.



**David Evans**  
Non-executive Chairman  
29 June 2017

# 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

The Group develops, manufactures and sells allergy tests for over 600 allergens and has more than 20 years' experience focused on selling in all three market segments (lab automation – Allersys®, mid-tier – Allergozyme® and point of care – Allergodip®).

**11** More on Allergy and autoimmune



### Food intolerance

The Group provides a range of tests and instrumentation associated with food intolerance and gut health.

**12** More on Food intolerance



### Infectious disease

The Group specialises in a range of diagnostic kits for infectious diseases, in particular for syphilis, febrile antigens and latex serology tests. The Group is also establishing a product range within the key global health arena which is built on VISITECT® CD4 and our Indian facility which will deliver products that will operate in rural settings.

**13** More on Infectious disease

## 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.

## How we create value

### For customers

- Improved health and well-being
- Greater access to healthcare

### For shareholders

- Long-term investment

### For Omega

- Personal growth and development opportunities
- Attractive employment benefits
- Continued reinvestment in business
- Commercialisation of products

**14** For more on our people



# A clear strategy to further the Group's progress

## Strategy

### Accelerated growth

**Grow all three operating segments – Allergy and autoimmune, Food intolerance and Infectious disease**

#### Achievements

- 41 allergens CE-marked to run on the IDS-iSYS machine with a further eleven optimised
- Design freeze on VISITECT® CD4 and verification and validation work underway
- Four new Allergodip® panels now optimised
- Pune facility has CE-marked three VISITECT® Malaria tests

#### Future focus

- Continued expansion of the allergen menu to run on the IDS-iSYS machine
- CE-marking of the VISITECT® CD4 test
- Launch of the first Allergodip® panels with mobile app
- Securing regulatory approval for the VISITECT® Malaria range
- Expansion of the Genarrayt®/Foodprint® offering in key market segment
- Expansion of menu offering from Pune facility

### One company

**All employees are aligned with the goals of the business and committed to a process of continuous improvement**

#### Achievements

- Group core values launched
- Company newsletter, company meetings and staff briefings introduced
- Staff survey completed

#### Future focus

- Continuing to embed and promote core values
- Continuous improvement culture introduced and promoted

### Execute and deliver

**Develop efficient, effective and compliant processes across all areas of the business**

#### Achievements

- Project management structure and processes implemented
- Strategic sourcing strategy being rolled out
- Group quality 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 development process
- Further work on strategic sourcing to deliver significant improvements
- Quality plan rolled out across all sites
- Execution of UK site expansion plans

### Employees: "our greatest asset"

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

#### Achievements

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

#### Future focus

- Continuing to invest in training and development for all staff
- Develop a talent pipeline to ensure long-term success of the Group

### Customer focus

**Maintaining customers at the heart of the organisation**

#### Achievements

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

#### Future focus

- Set-up of key customer boards to help guide our vision and strategy
- Recruit key opinion leaders to help better understand our markets and support scientific studies

# With the Company moving into an accelerated growth phase we have very exciting times ahead of us



**Andrew Shepherd**  
Chief Executive

## IN SUMMARY

- **Group revenue increased by 12% to £14.2 million**
- **Adjusted profit before tax of £1.1 million**
- **Significant progress on three-year growth plan**
- **Design freeze achieved on VISITECT® CD4**
- **CE mark achieved for 41 allergens to run on IDS-iSYS platform**

## Dear fellow shareholder

During the year we have made great progress on our three-year vision and are now well positioned to deliver the key aim of accelerated growth in all three business divisions.

### Food intolerance

- Expansion of Foodprint® in key market segments is going to plan with new accounts expected to start delivering significant revenue streams over the next few years. Our R&D team in Ely are also making great strides in terms of implementing process improvements to allow us to handle the increasing demand and deliver key improvements to our customers.
- Partners in China have been identified and work on the lengthy registration process will commence in this financial year.

### Allergy and autoimmune

- Allersys® – 41 allergens CE-marked and we are making substantial progress with the next phase of development with a further eleven allergens optimised. We believe we have now agreed the main outline terms which should enable the formal contract negotiations with IDS to proceed.

- Allergodip® – 80 allergens have now been optimised and ongoing work continues with the development of a mobile phone app ahead of the initial launch of panels later this year.

### Infectious disease

- VISITECT® CD4 – Achieved our key milestone of design freeze by the end of March 2017 and it has now entered the validation and verification phase which is currently progressing to plan.
- Pune facility has CE-marked three malaria rapid tests and first commercial sales in both India and export have been achieved. This is a great example of everyone involved in the project – from India, South Africa and the UK – all working together to achieve the project goals.

## Core business

### Segmental revenue performance

#### Food intolerance

The Food intolerance division has again performed well, producing double-digit growth. For this year, total Food intolerance sales increased by 13% to £8.00 million (2016: £7.06 million).

Sales of Food Detective® reduced by 10% in the year to £2.06 million (2016: £2.29 million). As noted in the half-year results, we took a conscious decision to reduce pipeline stocking in two of our key markets.



**We are pleased to announce the launch of the VISITECT® Malaria range of rapid diagnostic tests.”**

**Andrew Shepherd** Chief Executive

Sales of Genarrayt<sup>®</sup>/Foodprint<sup>®</sup> reagents grew by 34% to £4.67 million (2016: £3.47 million), with strong performances in Europe, North America and the Middle East. The Group sold a further eight instruments in the year, taking the cumulative number of installations to 176 instruments in 40 countries, and revenue per instrument (excluding Spain) increased by 29% to £23,442 (2016: £18,175). The higher percentage growth rate of reagent sales (as compared to the overall growth in revenue per instrument) reflects the investment that was made into newer North American and Southeast Asian markets in the previous year and these markets are seen as an increasingly important area for long-term growth.

Our CNS laboratory service showed an increase of 7% in sales to £0.62 million (2016: £0.58 million). Sales were still dominated by the markets in the UK and Ireland and we produced and sold 7,167 patient reports in the year (2016: 7,008), maintaining an average price of £86.44 per report (2016: £82.73).

Food intolerance will continue to be a key growth driver and contributor to the bottom line. This has been reflected in the increase in operational and marketing resource to provide high level scientific and technical support for the CNS product range. The growth trajectory is expected to continue, with this core business supported by increasing the range of products and services in the health and well-being market, which now extends to 80 countries.

#### Allergy and autoimmune

Sales for the Allergy and autoimmune division are comprised of Allergy sales of £3.03 million (2016: £2.57 million) and sales of Autoimmune products of £0.56 million (2016: £0.59 million), an overall increase of 14%. The Allergy sales continue to be derived almost exclusively from our Omega Diagnostics GmbH business in Germany, where our domestic sales increase of 3% in euro terms is a positive contrast to a recent history of decline due to reimbursement pressures. In reported sterling terms, the increase was 15% due to the weakening of sterling against the euro throughout the period.

#### Genarrayt<sup>®</sup>/Foodprint<sup>®</sup> sales

**£4.7m**

↑ 34%

#### Food Detective<sup>®</sup> sales

**£2.1m**

↓ 10%

**18** For more information see our Financial Review

#### Allergy development

Following the CE-marking of 41 allergens in October 2016 we have continued to develop further tests to increase the available menu. A further eleven allergens have been optimised, so we are on target to deliver another 20 allergens this year.

In addition to the Allersys<sup>®</sup> programme, four new Allergodip<sup>®</sup> panels have now been optimised. The introduction of a mobile phone app that allows quantification of the test result will assist in the marketing of the test to resource-poor countries with limited laboratory facilities.

#### Infectious disease

Infectious disease sales increased by 5% to £2.65 million (2016: £2.52 million) with the increase due to the weakening of sterling against the euro and dollar throughout the period.

We were pleased to announce the launch of the VISITECT<sup>®</sup> Malaria range of rapid diagnostic tests:

- VISITECT<sup>®</sup> Malaria Pf (detection of HRP2 antigen in *P. falciparum*);
- VISITECT<sup>®</sup> Malaria Pf/Pan (detection of *P. falciparum*, non-*P. falciparum* or mixed infections); and
- VISITECT<sup>®</sup> Malaria Pf/Pv (detection and differentiation of *P. falciparum* and *P. vivax*).

## 30 years of Omega Diagnostics



YOUR GLOBAL PARTNER IN DIAGNOSTICS

1987 - 2017

This year marks the 30-year anniversary since I formed the Company. It has been a real mix of excitement and challenges and some disappointments, of course, but over the 30 years it has been an absolute pleasure to experience Omega corporate life and the science that we use on a daily basis, and to create and investigate new opportunities and interactions with so many people around the world. We are now moving into an accelerated growth phase and we have some very exciting times ahead of us.



## Core business *continued*

### Segmental revenue performance *continued*

#### Infectious disease *continued*

In the development of the VISITECT® Malaria range we have a defined strategy to provide affordable but high quality tests that are designed with the user in mind. The devices are easy to use and come equipped with all the necessary components to run the tests effectively at the point of care. The range is generating good interest via business-to-business channels and at the same time we continue to work on in-country product registrations and successfully achieving global regulatory standards that will enable us to include the range in high volume public sector tender exercises.

In addition to the malaria rapid tests we are also evaluating additional rapid tests for dengue, syphilis, leptospira, brucella and S. typhi.

## Global health update

The past year has seen significant progress in the development of VISITECT® CD4, the world's first semi-quantitative, instrument-free rapid test for assessing CD4 baseline status in people living with HIV. Having achieved design freeze we have moved the test into validation and verification to ensure we can manufacture the device in a robust and satisfactory manner. This work will be supported by external evaluation testing at HIV laboratories in Glasgow and London that, if successful, will allow us to commercialise the product.

The landscape for CD4 testing has changed over the past six months; amongst key opinion leaders and policy makers there has been a shift in the strategy for utilising CD4 testing in the care of people living with HIV. This has resulted in a series of regional workshops being held across the African continent that Omega Diagnostics has been invited to attend and participate in. The resulting output from these activities will see an increasing emphasis being placed on CD4 testing to help those people who present for care in the advanced stages of the disease with very low CD4 cell counts. This group of patients represents more than 30% of the overall HIV epidemic. In the advanced stages of HIV, patients are increasingly at risk of developing opportunistic infections that can dramatically reduce life expectancy. We are evaluating opportunities to bring other rapid tests to the market that will complement VISITECT® CD4 in helping public health practitioners combat HIV in low and middle-income countries.



We are evaluating opportunities to bring other rapid tests to the market that will complement VISITECT® CD4 in helping public health practitioners combat HIV in low and middle-income countries.”

**Andrew Shepherd** Chief Executive

In our efforts to make Omega Diagnostics a key supplier in the global health arena, we have worked hard over the past year to redefine our marketing materials with this audience in mind. In addition, we continue to develop simple but effective training tools that will benefit our customers who use our products in remote settings.

## Outlook

Food intolerance continues to keep up its good performance and we expect to see this continuing in the year ahead with the strategic marketing initiatives being planned and executed as part of our accelerated growth strategy.

With renewed effort with regards to our ongoing relationship with IDS we are looking forward to the eventual launch of the initial range of CE-marked Allersys® tests. Expanding the test menu as currently envisaged will only help to increase sales of these products in the new financial year and beyond.

We are looking forward to reporting good sales progress over the coming year, together with our continuing goal of delivering VISITECT® CD4 to the market by the end of this calendar year.

I would like to thank all the Group employees who have made great efforts throughout the year in delivering progress in our core areas of activity. We are all looking forward to a year of growth and further progress.

A handwritten signature in black ink, appearing to read 'AS'.

**Andrew Shepherd**  
Chief Executive  
29 June 2017

# Providing a range of tests for allergy diagnostics

**We have successfully optimised 50 Allersys® allergens for use on the IDS-iSYS system that are ready for commercial launch.**

### Our foundations

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

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

### Our markets

Allergy is defined as a hypersensitivity response by the immune system. In the majority of cases, allergic reactions are caused by IgE antibodies. IgE mediated allergies are defined by their rapid onset and can cause a variety of symptoms ranging from mild (rhinitis) to severe (anaphylaxis). The World Allergy Organisation (WAO) estimates that between 30% and 40% of the global population is affected by one or more allergic diseases (e.g. asthma, eczema, rhinitis, urticaria, food allergy or drug allergy). The allergy diagnostic market is forecast to grow steadily at a compound annual growth rate (CAGR) of 12.67% for the period 2015–2019.<sup>1</sup>

### Our products

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

Allergozyme® is a paper disc-based ELISA that quantifies the amount of circulating Specific IgE in a patient sample for over 600 different allergens. This product is largely sold into the German domestic market.

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

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

### Our strategy

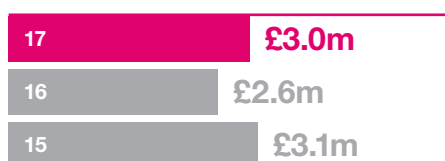
The goal is to build a portfolio of products that enables Omega to compete across the automated, strip testing and POC segments of the allergy market.

To address the automated segment, Allersys® will launch in 2017. To date, 50 of the most commonly tested allergens have been optimised with a plan to increase this to over 100 allergens over the next four years.

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

<sup>1</sup> – MarketsandMarkets, Allergy Diagnostics Market, 2014.

### Allergy diagnostics revenues



**8** For more on Allergy diagnostics





# Providing a range of tests for food intolerance

**Another year of significant growth with success in North America and focus on adding complementary health and well-being tests to our portfolio.**

## Our foundations

Located in Cambridgeshire, England, Genesis Diagnostics Limited and its sister company Cambridge Nutritional Sciences Limited are subsidiaries of Omega Diagnostics Group PLC.

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

## Our markets

Food intolerance/sensitivity testing is a growing market, with the public being much more aware of the role their diet plays in their health and well-being. The overall market is expected to grow steadily at a CAGR of 6% for the period 2015–2019.<sup>1</sup>

From a medical perspective, the role of gut health and its impact on general health and well-being is increasingly understood. Gut health is a complex area and a multitude of factors, including gut permeability (giving rise to immune reactions to food), microbiome and oxidative stress, often give rise to health conditions that need to be treated through diet and supplementation.

## Our products

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

Footprint®/Genarray® is a laboratory-based system for the testing of IgG immune response related food sensitivity. Developed and manufactured by the Company it is an innovative, colorimetric microarray-based ELISA technology which utilises state-of-the-art microarrays that can detect the presence of IgG food-specific antibodies to over 220 commonly eaten foods.

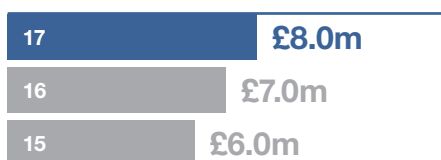
Food Detective® is a quick and easy POC test for immune food sensitivity that can be used in the privacy of a home at the user's convenience. The test assesses reactions to 59 commonly eaten foods.

## Our strategy

The Company has a unique position in the market, offering a distinctive range of food intolerance/sensitivity tests that cover a selection of applications. On the back of these products the brand has developed an excellent reputation with patients and laboratories around the world. In addition, the Company has built an impressive and stable network of distribution serving over 75 countries with a specific skill set within the health and well-being market. This positions the Group well for further growth opportunities within this testing segment.

<sup>1</sup> – Just Food, Global Health and Wellness Food Market 2015–2019.

## Food intolerance revenues



**8** For more on Food intolerance





# Providing a range of tests for infectious disease

**We have achieved a significant milestone of attaining formal design freeze with our VISITECT® CD4 test. We also now have a fully ISO-accredited and Indian FDA GMP-compliant manufacturing facility in Pune that has manufactured and sold its first CE-marked malaria rapid tests.**

## Our foundations

Located in Alva, Scotland, Omega Diagnostics Limited is a subsidiary of Omega Diagnostics Group PLC and manufactures and sells a range of immunoassay tests, predominantly for infectious diseases. Its main product line includes a range of screening and confirmatory tests for syphilis. In recent times the subsidiary has built up a capability and capacity for the development and manufacturing of rapid diagnostic tests (RDTs) for use in resource-poor settings in developing countries.

## Our markets

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

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

- a) diagnose those people at risk;
- b) provide treatment to people living with disease; and
- c) end the epidemics of those diseases that place the heaviest burden on people in the poorest regions of the world.

## Our products

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

In addition, there is an existing range of rapid diagnostic tests under the VISITECT® brand designed to detect malaria, syphilis, leptospirosis and dengue fever.

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

## Our strategy

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

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

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



## Infectious disease revenues

17	£2.6m
16	£2.5m
15	£2.5m

**8** For more on Infectious diseases

# Motivating, developing and recognising our people

We are committed to attracting and retaining the right people and have a strong and dedicated team.



Total number of employees

**180**

⬆️ 15%

Staff with five years' service and over

**72%**

Staff who are degree qualified

**66%**

## Our employees

We have a committed and engaged workforce with 72% of the staff having five years' service and over. This includes 21% with over ten years' service and 8% with over 20 years' service.

In addition to their proven loyalty, we have a highly educated workforce of which 66% are degree qualified (including 28% qualified to Master's or PhD level).

To allow us to develop and retain this strong culture, we have developed an HR strategy that has clear aims and goals. Staff can clearly identify how their performance links to the business goals

and everyone recognises they have a part to play in helping Omega grow to the next level.

The HR strategy includes the following processes: development review, induction and talent management. It also identifies developing our staff as a key business goal.

We have also just completed a key part of this strategy to define our core values. These values will help to guide the culture during this high growth phase we are entering as a business.

## 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.





### A day in the life of global health

During the summer months in South Africa, Omega Diagnostics donates seedlings and compost to a small HIV clinic in a local Cape Town township. It has been an ongoing activity over the past few years and a collaborative effort of us giving the funds and lending a hand to a passionate and committed community health worker who has the desire to feed patients visiting the clinic. Her name is Vutomi and she has been our inspiration to support getting the vegetable garden started. Vutomi has a background in HIV counselling and works tirelessly on a daily basis to educate communities on HIV transmission and infection risks, counselling on antiretroviral therapy and tuberculosis medication and offering support to those in need.

This year has been difficult for the vegetable garden. The Western Cape was hit by an extreme summer drought and watering of gardens was prohibited. This meant that the usually busy summer season in the vegetable garden was halted. Just as the drought ended, Cape Town was hit by a storm resulting in major flooding and damage to infrastructure. We hope to be able to share more about our community involvement and the vegetable garden soon.

In the run up to the International AIDS Conference in Paris in July 2017, and following a very successful AIDS Conference in Durban in 2016, we have decided to continue to support a wonderful women's empowerment programme in the Valley of a Thousand Hills, KwaZulu-Natal, South Africa, called Woza Moya, Hillcrest AIDS Centre Trust. Zulu women are renowned bead workers and this project focuses on providing opportunities for women, often gogos (grannies), to earn an income to support their families. The HIV epidemic continues to heavily affect young people in KwaZulu-Natal and gogos are often left to raise their grandchildren when their own children die due to HIV-related complications. We have just ordered another box of beautiful AIDS ribbons that we will be handing out at the International AIDS Conference in Paris in July 2017 and look forward to spreading the word of the work to support local communities being done by this great organisation.

We continue to provide malaria and syphilis kits to our friends at Comfort Rwanda and Comfort Congo who support Rusayo Clinic in the Democratic Republic of Congo (DRC). The area that Rusayo is based in is home to a diverse range of people including the internally displaced, refugees, rape survivors, ex-child soldiers and communities of ethnic Baka Pygmies. Comfort Congo has made it its mission to offer support wherever it can and we are proud to support this initiative supporting healthcare strengthening where it is most needed, at the point of care.

We have also been busy developing a range of training tools to be utilised in training community health workers to use VISITECT® CD4 and our VISITECT® Malaria range. Much time has been spent on illustrating and designing training booklets using adult learning and education principles. This has encouraged different team members' involvement with lots of discussion, planning and feedback. We are committed to providing training and support materials to all who will be using our tests.



Elizabeth Hobbs with Vutomi in South Africa.

# 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>	<span style="color: red;">↑</span>
<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. There can be no certainty regarding the terms of withdrawal at this stage.</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>	<span style="color: red;">↑</span>
<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 particular importance is the requirement to obtain and maintain approval for a product from the applicable regulatory agencies to enable the Group's products to be marketed. Approvals can require clinical evaluation of data relating to safety, quality and efficacy of a product. 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>	<span style="color: blue;">→</span>

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 just renewed its overdraft at an increased level of £2.0 million (2016: £1.7 million) which is expected to revert to £1.7 million at the end of the first half of the new financial year. Equity funding markets may experience volatility with the latest UK general election delivering a hung parliament.</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>Political uncertainty and the rise of populism in France, Italy and the Netherlands could maintain higher uncertainty for longer, in turn continuing to hamper investment.</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 completed the optimisation of 52 Allersys® allergens which meet design goal parameters and we believe we have made good progress in agreeing global distribution terms with IDS.</p> <p>VISITECT® CD4 has achieved design freeze and three product variants of VISITECT® Malaria have now been CE-marked and launched.</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.</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 year which led to a number of people receiving a higher level of remuneration.</p>

## Our core business recorded headline growth in revenue across all three divisions



**Kieron Harbinson**  
Group Finance Director

### IN SUMMARY

- **Total Group revenue increased by 12% to £14.2 million**
- **Bank overdraft facility increased to £2.0 million**
- **Conversion rate of operating profit into operating cash of 171%**

### Financial performance

Our core business recorded headline growth in revenue across all three divisions. Total revenue increased by 11.8% to £14.2 million (2016: £12.7 million), with both the Food intolerance division and the Allergy and autoimmune division recording double-digit revenue growth of 13.3% and 13.6% respectively. Food intolerance was supported by a strong growth in Foodprint® sales to £4.7 million (2016: £3.5 million), more than offsetting a reduction in sales of Food Detective® to £2.1 million (2016: £2.3 million) as some customers reduced stock levels. The Allergy and autoimmune division benefited from a growth in allergy sales in Germany to €3.6 million (2016: €3.4 million), offsetting a small reduction in autoimmune sales to £0.56 million (2016: £0.59 million). The Infectious disease division also recorded growth of 5.6% in revenue to £2.7 million (2016: £2.5 million). Revenue across all three divisions benefited by a combined £1.1 million (2016: £0.2 million) due to weaker sterling exchange rates following the country's decision in the EU referendum.

Gross profit increased by 13.3% to £9.2 million (2016: £8.1 million), helped by an increase in gross margin percentage to 64.7% (2016: 63.8%). Overheads increased by £0.8 million to £8.5 million (2016: £7.7 million). Administration costs have increased by £0.5 million, principally due to higher costs in the UK relating to undertaking a salary benchmarking exercise and implementing a more formal management training programme. Selling and marketing costs have increased by £0.3 million with a modest increase in costs in India and with the higher proportion occurring in Germany, where there has been a need to upskill in sales management. Other operating income reduced by £0.3 million on the prior year because that year included the final amortisation of a grant received from Unitaid in 2014.

Adjusted profit before tax (statutory profit before tax of £0.7 million with add backs for amortisation of intangibles, share-based payment charges and IFRS-related discount charges) was £1.1 million compared to £1.3 million the year before as the size of the add backs referred to above were lower by £0.2 million than in the previous year. Segmental performance as presented in the notes to the financial statements still shows that the Food intolerance division is the only profitable segment right now, but our plans to address the shortfall remain the same, with opportunities for Allersys® and VISITECT® CD4 as outlined throughout this Strategic Report.

### Taxation

Our UK companies continue to benefit from government policies on tax that encourage investment in research and development activities. In the year, adjusted tax losses of £0.6 million for the year to 31 March 2016 were surrendered for cash at a rate of 14.5%, generating a cash rebate of £0.1 million. We still have cumulative tax losses of £2.9 million for years ended up to 31 March 2014 that are carried forward for future offset. The current-year tax credit of £0.1 million (2016: £0.1 million tax charge) reflects a lower level of losses surrendered in the year versus the prior year.

### Earnings per share

Adjusted earnings per share were 1.1 pence versus 1.2 pence in the prior year. The difference is due mainly to the small reduction in adjusted profit before tax, as described above, leading to adjusted profit after tax of £1.19 million versus £1.26 million in the prior year, calculated on a fully diluted 109.8 million (2016: 109.5 million) shares in issue.

### Research and development

As key development programmes continued to make progress, we increased investment in research and development to a total of £2.37 million (2016: £1.74 million), representing 16.6% of Group turnover. Expenditure on our Allersys® project increased to just under £1.1 million (2016: £0.95 million) as we completed the claim support work and compiled the technical file leading to CE-marking 41 allergens in October. Expenditure on VISITECT® CD4 also increased to £0.62 million (2016: £0.49 million) as we achieved design freeze of the product following the successful manufacture of three pilot batches.

We also incurred £0.3 million (2016: £0.1 million) on further developing our POC allergy dipstick test, Allergodip®, for use in doctors' offices. Other minor areas of expenditure included smaller projects covering food extract optimisation and completion of the malaria technology transfer into Pune, India. Of the total expenditure, £2.2 million (2016: £1.5 million) has been capitalised on the balance sheet in accordance with IAS 38 – Development Costs whilst earlier stage R&D expenditure of £0.2 million (2016: £0.26 million) has been expensed through the income statement.

### Intangible assets

Intangible assets have increased to a total of £15.6 million (2016: £13.5 million), comprising goodwill of £4.7 million, separately identifiable intangible assets from previous acquisitions totalling £3.0 million and capitalised development costs of £7.9 million.

#### Goodwill

There has been no impairment of goodwill on any of the acquisitions to date. Goodwill of £4.7 million (2016: £4.6 million) has increased by £0.1 million relating to the retranslation of goodwill to £1.3 million (2016: £1.2 million) in acquiring the Allergy IVD business in Germany in 2010. £0.4 million arose on acquiring Co-Tek in 2009 and £3.0 million arose on acquiring Genesis/CNS in 2007.

#### Intangible assets

Separately identifiable intangible assets have been recognised in connection with past acquisitions: £2.0 million on Genesis/CNS, of which £1.0 million has been amortised to date; £0.1 million on Co-Tek, which has been fully amortised; and £1.7 million on Omega Diagnostics GmbH, of which £1.3 million has been amortised to date. A purchased licence of £1.5 million relates to the exclusive global access rights to the IDS-iSYS platform for allergy testing, which, to date, has not been amortised. Minor capitalised software costs amount to £0.1 million.

#### Capitalised development costs

Capitalised development costs of £2.2 million have been incurred in the year and, as described above, bring the cumulative spend to date on all projects to £7.9 million. A breakdown of the project expenditure is as follows:

	2017 £	2016 £
Allersys®	5,069,499	3,995,021
VISITECT® CD4	2,221,480	1,597,367
Allergodip®	339,650	74,908
VISITECT® Malaria	109,431	—
Other	132,191	—
<b>Total</b>	<b>7,872,251</b>	<b>5,667,296</b>

There has been no amortisation of these capitalised development costs in the years up to 31 March 2017 but the amortisation of these costs, along with the purchased licence referred to above, will only start after commercialisation of these assets. As stated on previous occasions, this particular subset of amortisation charges will not be added back in the computation of the Group's routinely reported adjusted profit before tax.

### Property, plant and equipment

The Group maintained its expenditure on fixed assets at a similar level to last year at £0.6 million (2016: £0.6 million). The largest element included £0.3 million (2016: £0.1 million) invested in Alva to ensure continued compliance with overseas country regulatory audits and to equip the laboratory with the means to undertake protein purification and separation techniques in support of the Allersys® development programme. £0.2 million (2016: £0.2 million) was spent on Genesis/CNS to alleviate certain space constraints with the facility and £0.1 million (2016: £Nil) was spent in Germany on laboratory equipment and instruments supplied on loan to the customer base.

### Financing

The Group has a long-standing relationship with Bank of Scotland as principal bankers to the Group and, in May of this year, we agreed an overdraft renewal for an increased facility of £2.0 million (2016: £1.7 million) which is expected to revert to £1.7 million at the end of the first half of the new financial year. In addition to the overdraft, the bank provided an asset finance facility in the year of up to £1.0 million to fund the purchase of new plant and machinery. £0.2 million of this facility was drawn down in the year, repayable over five years, and the Company expects to roll over the balance for another year from the end of July 2017.

### Operating cash flow

The Group monitors its cash requirement carefully and it is a key priority to manage working capital efficiently and to be effective in converting operating income into cash. Cash inflow from operating activities during the year was £2.01 million (2016: £1.45 million). The Group has achieved a conversion rate of adjusted operating profit (operating profit plus amortisation of intangible assets plus share-based payments) to operating cash of 171% (2016: 108%). We ended the year with cash reserves of £0.7 million (2016: £1.30 million) which means we were cash neutral in the second half of the financial year.

### Foreign exchange

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

	2017 £	2016 £
Sterling/US dollar	1.30	1.50
Sterling/euro	1.189	1.368
Sterling/Indian rupee	87.18	98.22

### Profit and loss account

The Group has foreign-denominated bank accounts to allow for the receipt and settlement of amounts in connection with its normal trading operations. These transactions are subject to timing differences between when they are transacted and when they are settled, which can give rise to foreign exchange differences. Foreign-denominated receivables, payables and bank balances are restated into sterling at closing balance sheet dates, which also gives rise to foreign exchange differences. During the year, the Group benefited from an exchange gain of £64,000 (2016: £6,000) on these transactions which has been credited through the income statement. The increase in the gain reflects the weakening of sterling generally following the EU referendum result as noted above.

### Other comprehensive income

The Group has net assets in Germany and India, held in fully owned subsidiaries. The original investments in these subsidiaries are held at historic exchange rates. The difference between these historic balances and their restated amounts at the most recent closing balance sheet rates gives rise to movements which are recorded through other comprehensive income and carried as a balance sheet reserve. During the year, there has been a gain of £423,000 (2016: £261,000) on the retranslation of foreign operations of £315,000 in Germany and £108,000 in India.



**Kieron Harbinson**  
Finance Director  
29 June 2017

# The right team to deliver growth



**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.*



**Andrew Shepherd**  
**Chief Executive**  
Founder

Andrew is the Founder and Chief Executive of Omega. He has worked in the medical diagnostics industry for 43 years. In 1986 he moved to Scotland to join Bioscot Limited and, shortly afterwards, established Omega. He has used his technical experience and knowledge of exporting to oversee the significant growth of the export of Omega products. He is an active member of a number of relevant trade associations, and was a member of the Bill and Melinda Gates Foundation's (BMGF) Global Health Diagnostics Forum, which provided guidance to BMGF in advising on technology and future investments in worldwide diagnostics programmes for developing countries. Andrew is responsible for corporate strategy, general management, technical direction and global health development opportunities.



**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, information technology, human resources and investor relations.



**Colin King**  
**Chief Operating Officer**  
 Appointed 3 August 2015

Colin joined Omega in August 2015 as Chief Operating Officer. He has worked in the medical diagnostics industry for 21 years, previously working for Axis-Shield. He joined them in 1995 and held a number of positions encompassing planning, supply chain, project management, operations and, ultimately, from 2007 was Managing Director of the Laboratory division. During his time as Managing Director he was responsible for leading its diversification strategy, which was successful in maintaining revenues despite retiring two key product revenue lines. Colin is responsible for directing and co-ordinating Group operational activities and achieving operational performance in accordance with policies and objectives established by the Board.



**Jag Grewal**  
**Sales and Marketing 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 the development of the Group driven through sales and marketing, product management, business development and customer service to drive business growth and market share.



**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.*

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

### The Board of Directors

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

During the financial year, the Board met on nine occasions and all of the Directors attended each meeting.

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

- Lochglen Whisky Limited;
- Fine Art of Golf 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	9/9	3/3	3/3
Andrew Shepherd	9/9	—	—
Kieron Harbinson	9/9	—	—
Jag Grewal	9/9	—	—
William Rhodes	9/9	3/3	3/3
Colin King	9/9	—	—

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

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, which runs from pages 2 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 18 and 19. 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 secured a £2.0 million overdraft facility for the period through to 30 September 2017 and firm indication of support from the bank that they will renew the facility at 30 September 2017 for the period through to the end of June 2018 at a level of £1.7 million. 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.

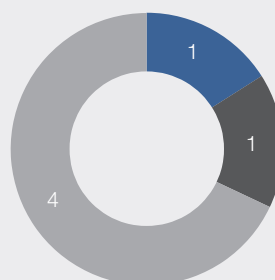
The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the Board



**Kieron Harbinson**  
**Company Secretary**  
 29 June 2017

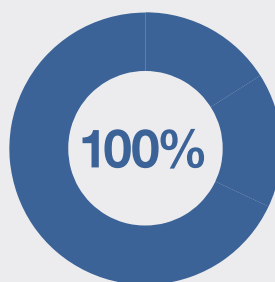
**Executive/Non-executive Board membership**



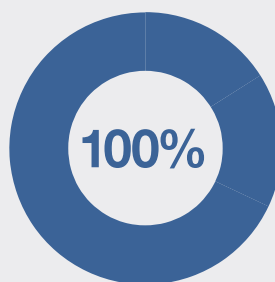
**Key**

- Non-executive Chairman **1**
- Non-executive Director **1**
- Executive Director **4**

**Board meeting attendance**



**Committee meeting attendance**



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

### Remuneration Committee

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

### Remuneration policy

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

### Incentive schemes/share option schemes

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

### Directors' service contracts

Andrew Shepherd entered into a service contract with the Group on 23 August 2006, under which he was appointed as Chief Executive

on an annual salary of £85,000. His salary was increased to £131,250 per annum from 1 April 2009, then increased to £145,000 per annum from 1 April 2011 and then further increased to £190,000 per annum from 1 August 2015. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

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

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

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

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

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

### Directors' emoluments

	Fees/basic salary £	Bonuses £	Benefits in kind £	Total 2017 £	Total 2016 £
<b>Executive</b>					
Andrew Shepherd	190,000	—	3,353	<b>193,353</b>	175,000
Kieron Harbinson	150,000	—	1,461	<b>151,461</b>	139,818
Jag Grewal	140,000	—	3,653	<b>143,653</b>	134,121
Colin King	177,500	—	1,314	<b>178,814</b>	136,986
<b>Non-executive</b>					
David Evans	25,000	—	—	<b>25,000</b>	25,000
William Rhodes	40,000	—	—	<b>40,000</b>	40,000
	722,500	—	9,781	<b>732,281</b>	650,925

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

### Directors' pension contributions

	2017 £	2016 £
Andrew Shepherd	<b>9,500</b>	8,750
Kieron Harbinson	<b>7,500</b>	6,917
Jag Grewal	<b>7,000</b>	6,500
Colin King	<b>8,875</b>	5,917
	<b>32,875</b>	28,084

## Directors' interests in ordinary shares

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

	31 March 2017	31 March 2016
David Evans	<b>3,043,634</b>	3,043,634
Kieron Harbinson	<b>426,062</b>	426,062
Andrew Shepherd	<b>2,708,180</b>	2,708,180
Jag Grewal	<b>99,913</b>	99,913
Colin King	—	—
William Rhodes	—	—

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

## Directors' share options

	At 1 April 2016	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2017	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
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

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

The share price at 31 March 2017 was 23.13 pence. The highest and lowest share prices during the year were 23.25 pence and 14.38 pence respectively.

Approved by the Board



**David Evans**  
**Non-executive Chairman**  
 29 June 2017

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2017.

**Principal activities**

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

**Results and dividends**

The result for the year is a profit of £713,261 (2016: £571,912), which has been taken to reserves. The Directors do not propose to pay a dividend. The results are disclosed in more detail in the Strategic Report on pages 2 to 19.

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 profit for the year ended 31 March 2017 is £159,686 (2016: loss of £50,757).

**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 18 and 19. Costs in the year amounted to £2,367,655 (2016: £1,743,354). Costs of £199,906 in relation to research activities (2016: £258,306) were expensed through the statement of comprehensive income and costs of £2,167,749 in relation to product development (2016: £1,485,048) were capitalised and included within intangible assets as detailed in Note 8.

**Directors**

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

- David Evans;
- Kieron Harbinson;
- Andrew Shepherd;
- Jag Grewal;
- William Rhodes; and
- Colin King.

Biographies of all Directors serving at the year end are on pages 20 and 21.

**Directors' interests**

The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report on pages 24 and 25. There are no non-beneficial interests held by Directors. There have been no changes to any Director's interests in the shares of the Group between 31 March 2017 and the date of this report.

**Employees**

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

**Principal risks and uncertainties**

The Board meets regularly to review operations and to discuss risk areas. Pages 16 and 17 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 pages 20 and 21. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

By order of the Board



**Kieron Harbinson**  
**Company Secretary**  
 29 June 2017

**Major interests in shares**

As at 12 June 2017 the following shareholders held more than 3% of the Group's issued ordinary share capital:

	Number of 4 pence ordinary shares	Percentage
Richard Sneller	14,186,935	13.05%
Legal & General Investment Management	14,010,498	12.88%
Liontrust Asset Management	8,711,494	8.01%
Octopus Investments Limited	6,682,730	6.15%
Hargreaves Lansdown Stockbrokers	6,328,227	5.82%
Unicorn Asset Management	4,266,750	3.92%
SG Private Banking	4,264,281	3.92%
Mobeus Equity Partners LLP	3,999,950	3.68%
Charles Stanley Stockbrokers	3,682,127	3.39%

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Group 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 AUDITORS' REPORT

to the members of Omega Diagnostics Group PLC

We have audited the financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2017 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, Company balance sheet, Company statement of changes in equity, Company cash flow statement and the related Notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

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

29 June 2017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Note	2017 £	2016 £
<b>Continuing operations</b>			
<b>Revenue</b>	7	<b>14,246,930</b>	12,743,896
Cost of sales		<b>(5,025,376)</b>	(4,608,383)
<b>Gross profit</b>		<b>9,221,554</b>	8,135,513
Administration costs		<b>(6,434,227)</b>	(5,917,453)
Selling and marketing costs		<b>(2,124,203)</b>	(1,821,068)
Other income		<b>31,636</b>	272,769
<b>Operating profit</b>	7	<b>694,760</b>	669,761
Finance costs	5	<b>(39,984)</b>	(24,154)
Finance income – interest receivable	7	<b>1,450</b>	16,225
<b>Profit before taxation</b>		<b>656,226</b>	661,832
Tax credit/(charge)	6	<b>57,035</b>	(89,920)
<b>Profit for the year</b>		<b>713,261</b>	571,912
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods</b>			
Exchange differences on translation of foreign operations		<b>423,478</b>	260,960
Tax charge		<b>(33,258)</b>	(29,098)
<b>Other comprehensive income that will not be reclassified to profit and loss in subsequent periods</b>			
Actuarial (loss)/gain on defined benefit pensions		<b>(107,948)</b>	255,459
Tax credit/(charge)		<b>20,392</b>	(47,533)
<b>Other comprehensive income for the year</b>		<b>302,664</b>	439,788
<b>Total comprehensive income for the year</b>		<b>1,015,925</b>	1,011,700
<b>Earnings per share (EPS)</b>			
Basic and diluted EPS on profit for the year	20	<b>0.7p</b>	0.5p

Financial Statements

## ADJUSTED PROFIT BEFORE TAXATION

for the year ended 31 March 2017

	2017 £	2016 £
<b>Profit before taxation</b>	<b>656,226</b>	661,832
IFRS-related discount charges	<b>(5,990)</b>	17,793
Amortisation of intangible assets	<b>225,660</b>	309,163
Share-based payment charges	<b>254,834</b>	362,327
<b>Adjusted profit before taxation</b>	<b>1,130,730</b>	1,351,115
<b>Earnings per share (EPS)</b>		
Adjusted EPS on profit for the year	<b>1.1p</b>	1.2p

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

## CONSOLIDATED BALANCE SHEET

as at 31 March 2017

	Note	2017 £	2016 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangibles	8	15,588,076	13,462,355
Property, plant and equipment	9	2,943,312	2,691,722
Deferred taxation	14	1,651,945	1,426,205
Retirement benefit surplus	18	—	44,759
Total non-current assets		20,183,333	17,625,041
<b>Current assets</b>			
Inventories	10	2,377,575	2,011,495
Trade and other receivables	11	2,460,416	2,838,269
Cash and cash equivalents		737,331	1,302,257
Total current assets		5,575,322	6,152,021
<b>Total assets</b>		<b>25,758,655</b>	23,777,062
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		16,727,516	16,727,516
Retained earnings		4,753,190	3,905,909
Other reserves		(22,770)	(446,248)
Total equity		21,457,936	20,187,177
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	12	275,890	282,914
Deferred taxation	14	1,811,110	1,537,560
Deferred income	13	238,067	—
Retirement benefit deficit	18	57,199	—
Total non-current liabilities		2,382,266	1,820,474
<b>Current liabilities</b>			
Short-term borrowings	12	155,494	127,783
Trade and other payables	13	1,762,959	1,641,628
Total current liabilities		1,918,453	1,769,411
Total liabilities		4,300,719	3,589,885
<b>Total equity and liabilities</b>		<b>25,758,655</b>	23,777,062



**David Evans**  
Non-executive Chairman  
29 June 2017



**Kieron Harbinson**  
Finance Director  
29 June 2017

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share capital £	Share premium £	Retained earnings £	Translation reserve £	Total £
<b>Balance at 31 March 2015</b>	5,086,756	11,640,760	2,792,842	(707,208)	18,813,150
Profit for the year ended 31 March 2017	—	—	571,912	—	571,912
Other comprehensive income – net exchange adjustments	—	—	—	260,960	260,960
Other comprehensive income – actuarial gain on defined benefit pensions	—	—	255,459	—	255,459
Other comprehensive income – tax charge	—	—	(76,631)	—	(76,631)
Total comprehensive income for the year	—	—	750,740	260,960	1,011,700
Share-based payments	—	—	362,327	—	362,327
<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 loss on defined benefit pensions	—	—	(107,948)	—	(107,948)
Other comprehensive income – tax charge	—	—	(12,866)	—	(12,866)
Total comprehensive income for the year	—	—	592,447	423,478	1,015,925
Share-based payments	—	—	254,834	—	254,834
<b>Balance at 31 March 2017</b>	<b>5,086,756</b>	<b>11,640,760</b>	<b>4,753,190</b>	<b>(22,770)</b>	<b>21,457,936</b>

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2017

	Note	2017 £	2016 £
<b>Cash flows generated from operations</b>			
Profit for the year		713,261	571,912
Adjustments for:			
Taxation		(57,035)	89,920
Finance costs		39,984	24,154
Finance income		(1,450)	(16,225)
Operating profit before working capital movement		694,760	669,761
Decrease/(increase) in trade and other receivables		377,853	(298,418)
(Increase)/decrease in inventories		(366,080)	50,600
Increase in trade and other payables		121,331	99,569
Loss on sale of property, plant and equipment		813	—
Depreciation	7	372,103	322,576
Amortisation of intangible assets	8	225,660	309,163
Movement in grants		238,067	(271,269)
Share-based payments		254,834	362,327
Taxation received		91,983	209,367
<b>Cash flow from operating activities</b>		<b>2,011,324</b>	<b>1,453,676</b>
<b>Investing activities</b>			
Finance income		1,450	16,225
Purchase of property, plant and equipment	9	(591,377)	(620,652)
Purchase of intangible assets		(2,068,960)	(1,418,536)
<b>Net cash used in investing activities</b>		<b>(2,658,887)</b>	<b>(2,022,963)</b>
<b>Financing activities</b>			
Finance costs		(39,984)	(24,154)
New asset backed finance		163,000	104,566
Loan repayments		—	(120,353)
Finance lease repayments		(142,313)	(126,734)
<b>Net cash used in financing activities</b>		<b>(19,297)</b>	<b>(166,675)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(666,860)</b>	<b>(735,962)</b>
Effects of exchange rate movements		101,934	66,082
Cash and cash equivalents at beginning of year		1,302,257	1,972,137
<b>Cash and cash equivalents at end of year</b>		<b>737,331</b>	<b>1,302,257</b>

## COMPANY BALANCE SHEET

as at 31 March 2017

	Note	2017 £	2016 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	19	12,745,159	12,193,076
Intangibles	8	1,531,786	1,531,786
Total non-current assets		14,276,945	13,724,862
<b>Current assets</b>			
Trade and other receivables	11	6,082,862	4,290,361
Cash and cash equivalents		292,404	597,557
Total current assets		6,375,266	4,887,918
<b>Total assets</b>		<b>20,652,211</b>	18,612,780
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		17,717,191	17,717,191
Retained earnings		1,142,262	727,741
Total equity		18,859,453	18,444,932
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,792,758	167,848
Total current liabilities		1,792,758	167,848
Total liabilities		1,792,758	167,848
<b>Total equity and liabilities</b>		<b>20,652,211</b>	18,612,780



**David Evans**  
Non-executive Chairman  
29 June 2017



**Kieron Harbinson**  
Finance Director  
29 June 2017

### Omega Diagnostics Group PLC

Registered number: 5017761

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share capital £	Share premium £	Retained earnings £	Total £
<b>Balance at 31 March 2015</b>	5,459,038	12,258,153	416,171	18,133,362
Loss for the year ended 31 March 2016	—	—	(50,757)	(50,757)
Total comprehensive income for the year	—	—	(50,757)	(50,757)
Share-based payments	—	—	362,327	362,327
<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>	<b>5,459,038</b>	<b>12,258,153</b>	<b>1,142,262</b>	<b>18,859,453</b>

## COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2017

	2017 £	2016 £
<b>Cash flows generated from operations</b>		
Profit/(loss) for the year	159,686	(50,757)
Adjustments for:		
Taxation	—	3,349
Finance costs	18,846	—
Finance income	(66,053)	(74,117)
Operating profit/(loss) before working capital movement	112,479	(121,525)
(Increase)/decrease in trade and other receivables	(1,792,501)	150,737
Increase/(decrease) in trade and other payables	1,624,910	(19,964)
Share-based payments	254,834	362,327
<b>Cash flow from operating activities</b>	<b>199,722</b>	<b>371,575</b>
<b>Investing activities</b>		
Finance income	66,053	74,117
Investment in subsidiaries	(552,082)	(659,710)
<b>Net cash used in investing activities</b>	<b>(486,029)</b>	<b>(585,593)</b>
<b>Financing activities</b>		
Finance costs	(18,846)	—
Loan repayments	—	(120,353)
<b>Net cash used in financing activities</b>	<b>(18,846)</b>	<b>(120,353)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(305,153)</b>	<b>(334,371)</b>
Cash and cash equivalents at beginning of year	597,557	931,928
<b>Cash and cash equivalents at end of year</b>	<b>292,404</b>	<b>597,557</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 1 Authorisation of financial statements

The financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2017 were authorised for issue by the Board of Directors on 29 June 2017, 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 a committed overdraft facility of £2 million provided by Bank of Scotland on 30 May 2017 for the period through to 30 September 2017 and firm indication of support from the bank that they will renew the facility at 30 September 2017 for the period through to the end of June 2018 at a level of £1.7 million. It is this firm indication of support from the bank that supports the Director's 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 historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over the expected useful lives, with charges included in administration costs, as follows:

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

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

##### Research and development costs

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

## 2 Accounting policies *continued*

### Property, plant and equipment

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

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

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

### Impairment of assets

The Group and Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group and Company 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, 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.

## 2 Accounting policies *continued*

### Presentation currency

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

### Foreign currencies

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

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.



## 2 Accounting policies continued

### 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.

### 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 2017, which will be offset against future profits expected to be generated from the prospects for Allersys®, VISITECT® CD4, Allergodip® and anticipated output from the Pune facility in India, leads management to conclude to carry the deferred tax asset in full. The carrying value of the deferred tax asset at 31 March 2017 is £1,651,945 (2016: £1,426,205). Further details are contained in Note 14.

## 2 Accounting policies *continued*

### Use of estimates and judgements *continued*

#### New standards and interpretations not applied

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

International Accounting Standards (IAS/IFRSs)	Effective date for periods commencing
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
Amendments to IAS 7 – Disclosure Initiative	1 January 2017*
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
Clarification to IFRS 15 – Revenue from Contracts with Customers	1 January 2018*
IFRS 9 – Financial Instruments	1 January 2018
IFRS 16 – Leases	1 January 2019*
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 2017/2018*

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

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The Directors do not currently expect IFRS 15 or IFRS 16 to have a material impact on the consolidated financial statements; however, our detailed assessment of IFRS 15 and IFRS 16 is ongoing. 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

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	(3,980,988)	(4,946,712)	(3,252,893)	(1,371,577)	(13,552,170)
Operating (loss)/profit	(389,612)	3,054,011	(598,062)	(1,371,577)	694,760
Net finance (costs)/income	(65,268)	(3,678)	(16,796)	47,208	(38,534)
<b>(Loss)/profit before taxation</b>	<b>(454,880)</b>	<b>3,050,333</b>	<b>(614,858)</b>	<b>(1,324,369)</b>	<b>656,226</b>
<b>Adjusted (loss)/profit before taxation</b>					
(Loss)/profit before taxation	(454,880)	3,050,333	(614,858)	(1,324,369)	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 (loss)/profit before taxation</b>	<b>(346,655)</b>	<b>3,149,293</b>	<b>(602,373)</b>	<b>(1,069,535)</b>	<b>1,130,730</b>

#### 4 Segment information continued

##### Business segment information continued

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

The segment assets and liabilities are as follows:

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>

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

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

##### Information about major customers

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

**4 Segment information** *continued*
**Geographical information**

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

	2017 £	2016 £
<b>Revenues</b>		
UK	978,154	939,635
Germany	2,989,268	2,667,102
Rest of Europe	3,557,085	3,513,511
North America	1,653,797	1,098,320
South/Central America	1,005,505	874,151
India	616,070	548,837
Asia and Far East	1,496,692	1,480,638
Africa and the Middle East	1,950,359	1,621,702
	<b>14,246,930</b>	12,743,896

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>

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

	2017 £	2016 £
<b>Liabilities</b>		
UK	1,334,733	1,320,827
Germany (including retirement benefit liability of £57,199)	443,392	186,412
India	280,099	134,389
Unallocated liabilities	2,242,495	1,948,257
<b>Total liabilities</b>	<b>4,300,719</b>	3,589,885
<b>Capital expenditure</b>		
UK	496,923	297,416
Germany	61,334	26,289
India	33,120	296,947
<b>Total capital expenditure</b>	<b>591,377</b>	620,652

## 5 Finance costs

Consolidated	2017 £	2016 £
Interest payable on loans and bank overdrafts	20,039	3,104
Finance leases	19,945	21,050
	<b>39,984</b>	24,154

## 6 Taxation

Consolidated	2017 £	2016 £
<b>(a) Tax credited/(charged) in the income statement</b>		
Current tax – current year	–	–
Current tax – prior year adjustment	91,980	209,368
Deferred tax – current year	49,223	132,794
Deferred tax – prior year adjustment	(84,168)	(432,082)
	<b>57,035</b>	(89,920)
<b>(b) Tax relating to items charged or credited to other comprehensive income</b>		
Deferred tax on actuarial loss/(gain) on retirement benefit obligations	20,392	(47,533)
Deferred tax on net exchange adjustments	(33,258)	(29,098)
<b>Total tax charge</b>	<b>(12,866)</b>	(76,631)

Consolidated	2017 £	2016 £
<b>(c) Reconciliation of total tax (credit)/charge</b>		
Factors affecting the tax (credit)/charge for the year:		
<b>Profit before tax</b>	<b>656,226</b>	661,832
<b>Effective rate of taxation</b>	<b>20%</b>	20%
Profit before tax multiplied by the effective rate of tax	<b>131,245</b>	132,366
Effects of:		
Expenses not deductible for tax purposes and permanent differences	66,377	76,734
Research and development and deferred tax credits	(111,354)	(250,622)
Tax repayment on surrender of tax losses in prior year at 14.5%	(91,980)	(209,368)
Tax losses surrendered in prior year at 20%	126,869	288,783
Tax (overprovided)/underprovided in prior years	(42,703)	143,299
Adjustment due to different overseas tax rate	(70,690)	(59,975)
Impact of UK rate change on deferred tax	(64,799)	(31,297)
<b>Tax (credit)/charge for the year</b>	<b>(57,035)</b>	89,920

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. During the year to 31 March 2016 the Finance Act (No.2) 2015 was substantively enacted. The Finance Act (No.2) 2015 includes legislation which will further reduce the corporation tax rate to 19% from 1 April 2017, and to 18% from 1 April 2020. The Chancellor then announced in his budget on 16 March 2016 that there would be a further 1% reduction in the rate of corporation tax to 17% on 1 April 2020. This further rate reduction was included in the Finance Bill 2016, which received Royal Assent on 15 September 2016. As all reductions in tax rates were enacted at the balance sheet date, the deferred tax balances as at 31 March 2017 have been recognised at a rate of 17% as this is the rate at which the majority of the timing differences are expected to reverse.

## 7 Revenue and expenses

Consolidated	2017 £	2016 £
<b>Revenue and other income</b>		
Revenue – sales of goods	14,246,930	12,743,896
Other income	31,636	272,769
Finance income	1,450	16,225
<b>Total revenue and other income</b>	<b>14,280,016</b>	13,032,890

Other income is explained in the Financial Review.

Consolidated	2017 £	2016 £
Operating profit is stated after charging/(crediting):		
Material costs	3,499,957	3,359,723
Depreciation	474,118	415,119
Capitalised depreciation	(102,015)	(92,546)
Amortisation of intangibles	225,660	309,163
Net foreign exchange gains	(64,102)	(6,481)
Grant income	31,636	272,769
Research costs	199,906	258,306
Operating lease rentals	286,585	277,623
Share-based payments	254,834	362,327
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the annual accounts:	20,000	20,000
Local statutory audit of subsidiaries	53,000	53,000
Local statutory audit of the parent Company	5,000	5,000
Fees payable to the Company's auditors for other services:		
Taxation compliance	12,500	12,500
Taxation advisory	5,000	5,000

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	2017 number	2016 number
Operations	111	100
Management and administration	69	57
<b>Employee numbers</b>	<b>180</b>	157

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	5,806,881	4,775,216
Social security costs	706,146	586,317
Pension costs	178,440	227,281
Share-based payments	254,834	362,327
	<b>6,946,301</b>	5,951,141

### 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 40,000 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:

	2017 number	2017 WAEP	2016 number	2016 WAEP
Outstanding 1 April	10,983,695	20p	8,998,695	20.96p
Granted during the year under the EMI Option Scheme	40,000	19p	1,985,000	16p
Granted during the year under the TUOS	—	—	—	—
Exercised during the year	—	—	—	—
Lapsed during the year under the EMI Option Scheme	—	—	—	—
Outstanding at 31 March 2017	11,023,695	20p	10,983,695	20p
Exercisable at 31 March 2017	6,388,695	—	3,753,289	—

The following table lists the inputs to the model used for the years ended 31 March 2017 and 31 March 2016:

	EMI Option Scheme and Unapproved Option Schemes	
	2017	2016
Dividend yield	—	—
Expected volatility	34%	64%
Risk-free interest rate	5%	5%
Weighted average remaining contractual life	6.3 years	6.3 years
Weighted average share price	19p	16p
Exercise price	19p	16p
Model used	Black-Scholes	Black-Scholes

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

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

### Directors' remuneration

Consolidated	2017 £	2016 £
Fees	65,000	65,000
Emoluments	667,281	585,925
	732,281	650,925
Contributions to personal pension	32,875	28,084
	765,156	679,009
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 24 and 25.

## 8 Intangibles

	Goodwill £	Licences/ software £	Supply arrangements £	Technology assets £	Customer relationships £	Development costs £	Total £
<b>Cost</b>							
At 31 March 2015	4,507,052	1,711,083	456,475	2,125,265	1,079,517	4,155,455	14,034,847
Additions	—	26,034	—	—	—	—	26,034
Additions internally generated	—	—	—	—	—	1,485,048	1,485,048
Currency translation	93,108	11,423	36,729	12,090	78,817	26,794	258,961
At 31 March 2016	4,600,160	1,748,540	493,204	2,137,355	1,158,334	5,667,297	15,804,890
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
<b>At 31 March 2017</b>	<b>4,703,165</b>	<b>1,765,753</b>	<b>533,836</b>	<b>2,150,731</b>	<b>1,245,524</b>	<b>7,872,250</b>	<b>18,271,259</b>
<b>Accumulated amortisation</b>							
At 31 March 2015	—	154,442	388,004	870,739	516,939	—	1,930,124
Amortisation charge in the year	—	24,010	67,291	119,887	97,975	—	309,163
Currency translation	—	12,029	37,909	11,908	41,402	—	103,248
At 31 March 2016	—	190,481	493,204	1,002,534	656,316	—	2,342,535
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
<b>At 31 March 2017</b>	<b>—</b>	<b>218,604</b>	<b>533,836</b>	<b>1,114,046</b>	<b>816,697</b>	<b>—</b>	<b>2,683,183</b>
<b>Net book value</b>							
<b>31 March 2017</b>	<b>4,703,165</b>	<b>1,547,149</b>	<b>—</b>	<b>1,036,685</b>	<b>428,827</b>	<b>7,872,250</b>	<b>15,588,076</b>
31 March 2016	4,600,160	1,558,059	—	1,134,821	502,018	5,667,297	13,462,355
31 March 2015	4,507,052	1,556,641	68,471	1,254,526	562,578	4,155,455	12,104,723

Of the development costs balance above of £7,872,250 (2016: £5,667,297), costs of £2,221,481 (2016: £1,597,368) relate to the VISITECT® CD4 project, costs of £5,069,500 (2016: £3,995,021) relate to the Allersys® project, costs of £339,650 (2016: £74,908) relate to the Allergodip® project, costs of £109,430 relate to the VISITECT® Malaria project and costs of £132,189 relate to Food intolerance projects.

Of the licences/software balance above, £1,531,786 (2016: £1,531,786) is held on the balance sheet of the Company and relates to the IDS and CD4 licences.

£102,015 (2016: £92,546) of the additions internally generated in the year relates to capitalised depreciation on assets utilised for development activities.

### Impairment testing of goodwill and intangibles

The Group tests goodwill annually for impairment or more frequently if there are indicators of impairment. The carrying amount of goodwill is indicated in the table above. The net book value of goodwill above for Genesis/CNS amounts to £3,016,892 (2016: £3,016,892), for Co-Tek amounts to £332,986 (2016: £332,986) and for Omega Diagnostics GmbH amounts to £1,353,287 (2016: £1,250,282).

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 2017 and the financial budget approved by the Board covering the period to 31 March 2020, with projected cash flows for the year ending 31 March 2021 based on a growth rate of 3% per annum.

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

The recoverable amount of Omega Diagnostics GmbH has been determined based on a value in use calculation using cash flow projections based on the actual results for the year ended 31 March 2017 and the financial budget approved by the Board covering the period to 31 March 2020, with projected cash flows for the year ending 31 March 2021 based on a growth rate of 3% per annum.

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

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



## 8 Intangibles continued

### Impairment testing of goodwill and intangibles continued

The recoverable amount for the Allersys® project has been determined based on projections through to March 2021 as well as the inclusion of a terminal value, again assuming an increasing number of tests sold each year as the product increases market acceptance and penetration. We note that the carrying value of development costs relating to Allersys® are underpinned by our ability to agree global distribution terms with our Allersys® licensor, IDS. The Directors believe that they have made good progress to secure this deal and are confident that once the contractual process is completed, this will give more certainty to the future cash flows underpinning the carrying value of £7,907,450 relating to the Allersys® project, being capitalised development costs of £5,069,500, licence fee of £1,484,663 and goodwill of £1,353,287.

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% (2016: 12.94%) for the Group, which takes account of other risks specific to each segment such as currency risk, geography and price risk. The discount rate is the weighted average cost of the pre-tax cost of debt financing and the pre-tax cost of equity financing. As a result of our impairment review, there has been no impairment to the carrying value of goodwill or intangibles.

### Sensitivity analysis

The Group has conducted a sensitivity analysis on each of the impairment tests. 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 2015	601,572	401,989	3,606,219	7,636	4,617,416
Additions	—	396,107	224,545	—	620,652
Disposals	—	(9,186)	—	—	(9,186)
Currency translation	48,403	10,310	53,225	615	112,553
At 31 March 2016	649,975	799,220	3,883,989	8,251	5,341,435
Additions	—	192,116	399,261	—	591,377
Disposals	—	—	(2,828)	—	(2,828)
Currency translation	53,549	68,884	70,290	—	192,723
<b>At 31 March 2017</b>	<b>703,524</b>	<b>1,060,220</b>	<b>4,350,712</b>	<b>8,251</b>	<b>6,122,707</b>
<b>Accumulated depreciation</b>					
At 31 March 2015	69,895	183,546	1,929,096	5,646	2,188,183
Charge in the year	16,466	24,020	372,643	1,990	415,119
Disposals	—	—	—	—	—
Currency translation	6,944	269	38,583	615	46,411
At 31 March 2016	93,305	207,835	2,340,322	8,251	2,649,713
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
<b>At 31 March 2017</b>	<b>120,244</b>	<b>289,208</b>	<b>2,761,692</b>	<b>8,251</b>	<b>3,179,395</b>
<b>Net book value</b>					
<b>31 March 2017</b>	<b>583,280</b>	<b>771,012</b>	<b>1,589,020</b>	<b>—</b>	<b>2,943,312</b>
31 March 2016	556,670	591,385	1,543,667	—	2,691,722
31 March 2015	531,677	218,443	1,677,123	1,990	2,429,233

£102,015 (2016: £92,546) 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 2017 is £488,870 (2016: £569,886).

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

### 10 Inventories

	2017 £	2016 £
Raw materials	1,499,900	1,314,167
Work in progress	225,968	186,850
Finished goods and goods for resale	651,707	510,478
	<b>2,377,575</b>	2,011,495

### 11 Trade and other receivables

	2017 £	2016 £
Consolidated		
Trade receivables	1,814,219	2,436,065
Less provision for impairment of receivables	(14,117)	(14,117)
Trade receivables – net	1,800,102	2,421,948
Prepayments and other receivables	660,314	416,321
	<b>2,460,416</b>	2,838,269

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

	2017 £	2016 £
Company		
Prepayments and other receivables	12,196	11,742
Due from subsidiary companies	6,070,666	4,278,619
	<b>6,082,862</b>	4,290,361

### Analysis of trade receivables

	2017 £	2016 £
Consolidated		
Neither impaired nor past due	1,646,583	2,224,198
Past due but not impaired	153,519	197,750

	2017 £	2016 £
Company		
Neither impaired nor past due	6,070,666	4,278,619

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

	2017 £	2016 £
Up to three months	139,503	185,574
Between three and six months	24,851	10,340
More than six months	3,281	1,836

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

	2017 £	2016 £
Consolidated		
<b>Current</b>		
Obligations under finance leases	155,494	127,783
	<b>155,494</b>	127,783
<b>Non-current</b>		
Obligations under finance leases	275,890	282,914
	<b>275,890</b>	282,914

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

## 12 Interest-bearing loans and borrowings and financial instruments continued

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

	2017 £	2016 £
Future minimum payments due:		
Not later than one year	170,168	144,548
After one year but not more than five years	296,816	300,440
	<b>466,984</b>	444,988
Less finance charges allocated to future periods	35,600	34,291
Present value of minimum lease payments	<b>431,384</b>	410,697
The present value of minimum lease payments is analysed as follows:		
Not later than one year	155,494	127,783
After one year but not more than five years	275,890	282,914
	<b>431,384</b>	410,697

## 13 Trade and other payables

Consolidated	2017 £	2016 £
Trade payables	943,120	1,070,258
Social security costs	214,112	193,780
Accruals and other payables	605,727	377,590
	<b>1,762,959</b>	1,641,628

In the current year Scottish Enterprise grant funding totalling £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.

Company	2017 £	2016 £
Trade payables	3,110	46,738
Accruals and other payables	143,032	121,110
Due to subsidiary companies	1,646,616	—
	<b>1,792,758</b>	167,848

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	2017 £	2016 £
Temporary differences	69,118	50,211
Tax losses carried forward	1,582,827	1,375,994
	<b>1,651,945</b>	1,426,205

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

The deferred tax liability is made up as follows:

Consolidated	2017 £	2016 £
Fair value adjustments on acquisition	213,211	278,451
Accelerated capital allowances	186,692	189,099
Capitalised research and development	986,999	812,873
Accelerated tax amortisation on intangibles	367,266	256,448
Other timing differences	56,942	689
	<b>1,811,110</b>	1,537,560

## 15 Share capital

Company	2017 number	2016 number
<b>Authorised share capital</b>		
Ordinary shares of 4.0 pence each	<b>184,769,736</b>	184,769,736
Deferred shares of 0.9 pence each	<b>123,245,615</b>	123,245,615
<b>Issued and fully paid ordinary share capital</b>		
At the beginning and end of the year	<b>108,745,669</b>	108,745,669

During the year ended 31 March 2017, the Company granted options over 40,000 ordinary shares at an average exercise price of 19 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	2017 £	2016 £
<b>Land and buildings</b>		
Within one year	<b>457,972</b>	425,190
Within two to five years	<b>722,849</b>	929,658
After five years	<b>—</b>	21,727
<b>Other</b>		
Within one year	<b>98,476</b>	61,285
Within two to five years	<b>239,997</b>	112,080
After five years	<b>165</b>	—

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 December 2018. The land and buildings leases in force for the Omega Dx (Asia) facility in Pune extend to May 2019.

Other leases are in force for office equipment items and extend to time periods ranging from April 2017 to October 2019. The leases may be extended at the expiry of their term.

### Performance bonds

The Group has performance bonds and guarantees in place amounting to £267,039 at 31 March 2017 (2016: £235,306).

## 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:

	2017 £	2016 £
Short-term employee benefits	<b>1,606,727</b>	1,187,677
Share-based payments	<b>228,468</b>	280,797
Post-employment benefits	<b>71,295</b>	51,952
	<b>1,906,490</b>	1,520,426

Four staff have been added to the Group senior management team during the year ended 31 March 2017.

Included within short-term employee benefits are amounts paid to MBA Consultancy of £25,000 (2016: £25,000), a company controlled by David Evans, and £40,000 (2016: £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 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	—	—	—

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

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

	2017 £	2016 £
<b>Balance at 1 April 2016</b>	<b>4,278,619</b>	4,390,114
Charges to subsidiary companies	2,093,765	968,959
Transfers of cash from subsidiary companies	(1,948,334)	(1,080,454)
<b>Balance at 31 March 2017</b>	<b>4,424,050</b>	4,278,619

## 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 £151,214 (2016: £114,827).

### (b) Defined benefit schemes

The Deutscher Pensionsfonds AG and the LV 1871 Unterstützungskasse e.V. schemes give the rights to defined future benefits. Of these benefits the past service component is based on years of service and salary as of 1 January 2011 and is provided by the Deutscher Pensionsfonds AG. The remaining benefits based on years of service after 1 January 2011 as well as salary increases are provided by the LV 1871 Unterstützungskasse e.V. scheme. These are mainly dependent on the number of earning years and salary level at pension age. The commitments are covered through an insurance company and are compliant with the requirements of German insurance laws. Pension costs relating to each scheme operating in Germany are charged in accordance with IAS 19 – Employee Benefits. Formal valuations of each scheme have been carried out by Towers Watson (Reutlingen) GmbH, who are independent, professionally qualified actuaries, on 5 May 2017 using the following assumptions:

	2017	2016
Discount rate	2.00%	2.00%
Future salary increases	2.50%	2.50%
Future pension increases	1.75%	1.75%
Price inflation	1.75%	1.75%

**18 Retirement benefit obligations** *continued*

**(b) Defined benefit schemes** *continued*

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

	2017 £	2016 £
Defined benefit obligation	2,505,629	2,152,951
Fair value of plan assets	2,448,430	2,197,710
<b>Net (liability)/asset</b>	<b>(57,199)</b>	44,759

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

	2017 £	2016 £
Current service costs	112,462	123,105
Interest cost on the defined benefit obligation	46,133	35,225
Interest income on plan assets	(48,436)	(32,953)
<b>Total included in employee benefits expense</b>	<b>110,159</b>	125,377

The current service costs for the year, £112,462 (2016: £123,105), have been included in administration costs.

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

	2017 £	2016 £
Actuarial (loss)/gain arising during the period	(49,411)	351,581
Return on plan assets	58,537	(96,122)
<b>Total actuarial gain on pensions</b>	<b>9,126</b>	255,459

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

	2017 £	2016 £
Opening defined benefit obligation	2,152,951	2,194,832
Current service cost	112,462	123,105
Interest cost	46,133	35,225
Actuarial loss/(gain) due to:		
Changes in demographic assumptions	49,141	(127,780)
Changes in financial assumptions	—	(223,801)
Exchange differences on foreign plans	177,642	176,598
Benefits paid	(32,700)	(25,228)
<b>Closing defined benefit obligation</b>	<b>2,505,629</b>	2,152,951

The weighted average duration of the defined benefit obligation is 19.4 years.

(v) Changes in plan assets during the year:

	2017 £	2016 £
Opening fair value of plan assets	2,197,710	2,001,925
Interest income	48,436	32,953
Return on plan assets	(58,537)	(96,122)
Contributions by employer	112,462	123,105
Exchange differences on foreign plans	181,059	161,077
Benefits paid	(32,700)	(25,228)
<b>Closing fair value of plan assets</b>	<b>2,448,430</b>	2,197,710

## 18 Retirement benefit obligations continued

### (b) Defined benefit schemes continued

Fair value of plan assets:

	2017			2016		
	Quoted £	Unquoted £	Total £	Quoted £	Unquoted £	Total £
Equities	343,560	—	343,560	352,232	—	352,232
Bonds/debt instruments	1,374,240	—	1,374,240	1,248,823	—	1,248,823
Cash/other	730,630	—	730,630	596,655	—	596,655
<b>Total value of plan assets</b>	<b>2,448,430</b>	<b>—</b>	<b>2,448,430</b>	<b>2,197,710</b>	<b>—</b>	<b>2,197,710</b>

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

	2017	2016
Equities	14%	16%
Bonds/debt instruments	56%	57%
Cash/other	30%	27%

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

The Group expects to contribute £115,000 to its defined benefit pension plans in the year ending 31 March 2018.

(vii) Mortality assumptions:

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

(viii) Sensitivity analysis:

Changes in assumptions compared with March 2017 actuarial assumptions:

	Effect on defined benefit obligation 2017 £	Effect on defined benefit obligation 2016 £
<b>Discount rate</b>		
Increase by 1%	(419,024)	(365,948)
Decrease by 1%	549,486	481,509
<b>Inflation rate</b>		
Increase by 0.5%	233,734	205,067
Decrease by 0.5%	(273,755)	(240,579)
<b>Salary increase</b>		
Increase by 0.5%	52,711	47,401
Decrease by 0.5%	(120,939)	(107,891)

## 19 Investments

### Company

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

	Country of incorporation	2017 £	2016 £
Investment in Omega Diagnostics Limited	UK	1,752,884	1,752,884
Investment in Genesis Diagnostics Limited	UK	1,845,066	1,845,066
Investment in Cambridge Nutritional Sciences Limited	UK	4,034,110	4,034,110
Investment in Co-Tek (South West) Limited	UK	480,978	480,978
Investment in Bealaw (692) Limited	UK	1	1
Investment in Bealaw (693) Limited	UK	1	1
Investment in Omega Diagnostics GmbH	Germany	2,542,321	2,542,321
Investment in Omega Dx (Asia)	India	2,089,798	1,537,715
		<b>12,745,159</b>	<b>12,193,076</b>

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

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

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

## 20 Earnings per share

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

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

	2017 £	2016 £
Profit attributable to equity holders of the Group	<b>713,261</b>	571,912
	2017 number	2016 number
Basic average number of shares	<b>108,745,669</b>	108,745,669
Share options	<b>1,013,126</b>	780,017
<b>Diluted weighted average number of shares</b>	<b>109,758,795</b>	109,525,686

## Adjusted earnings per share on profit for the year

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

	2017 £	2016 £
Adjusted profit before taxation	<b>1,130,730</b>	1,351,115
Tax credit/(charge)	<b>57,035</b>	(89,920)
<b>Adjusted profit attributable to equity holders of the Group</b>	<b>1,187,765</b>	1,261,195

## 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:

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

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



## 21 Financial instruments continued

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

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
	—	<b>1,374,504</b>	<b>1,374,504</b>

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

Liabilities as per the 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	—	<b>1,649,726</b>	<b>1,649,726</b>

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

## 21 Financial instruments *continued*

### Financial risk management

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

#### Foreign currency risk

The Group operates in more than one currency jurisdiction and is therefore exposed to currency risk on the retranslation of the income statement and the balance sheet of its overseas subsidiaries from euros and rupees into its functional currency of pounds sterling. The Company funds its subsidiaries by a mixture of equity and intercompany loan financing and these balances are subject to exchange rate movements that can give rise to movements in equity. The Group also buys and sells goods and services in currencies other than the functional currency, principally in euros and US dollars. The Group has US dollar and euro-denominated bank accounts and, where possible, the Group will offset currency exposure where purchases and sales of goods and services can be made in these currencies. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is currently Group policy not to engage in any speculative transaction of any kind but this will be monitored by the Board to determine whether it is appropriate to use additional currency management procedures to manage risk. At 31 March 2017 (and 31 March 2016) the Group had not entered into any hedge transactions.

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

	Decrease in currency rate	Effect on profit before tax £	Effect on equity £
<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
<b>2016</b>			
Trade and other receivables	5%	84,208	—
Trade and other payables	5%	(25,803)	—
Cash and cash equivalents	5%	19,465	—
Net investment in overseas subsidiary	5%	—	379

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:

	2017 Trade receivables £	2016 Trade receivables £
UK/Europe	799,640	1,170,609
North America	127,634	267,995
South/Central America	66,090	199,784
Asia and Far East	475,335	407,940
Africa and the Middle East	331,403	375,620
	<b>1,800,102</b>	<b>2,421,948</b>

## 21 Financial instruments continued

### Financial risk management continued

#### Capital management

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

#### Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 based on the undiscounted cash flows of liabilities which include both future interest and principal amounts outstanding based on the earliest date on which the Group can be required to pay. The amounts of future interest are not included in the carrying value of financial liabilities on the balance sheet.

Consolidated	Less than 3 months £	3 to 12 months £	1 to 5 years £	Total £
<b>2017</b>				
Trade payables	943,120	—	—	943,120
Obligations under finance leases	32,421	137,748	296,816	466,985
	<b>975,541</b>	<b>137,748</b>	<b>296,816</b>	<b>1,410,105</b>
<b>2016</b>				
Trade payables	1,070,258	—	—	1,070,258
Obligations under finance leases	27,439	119,906	298,040	445,385
	1,097,697	119,906	298,040	1,515,643

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2017 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>2017</b>				
Trade payables and amounts due to subsidiary companies	1,649,726	—	—	1,649,726
	<b>1,649,726</b>	<b>—</b>	<b>—</b>	<b>1,649,726</b>
<b>2016</b>				
Trade payables and amounts due to subsidiary companies	46,738	—	—	46,738
	46,738	—	—	46,738

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

### 21 Financial instruments *continued*

#### Financial risk management *continued*

##### 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>2017</b>		
Cash and cash equivalents	25	2,549
<b>2016</b>		
Cash and cash equivalents	25	4,093

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>2017</b>		
Cash and cash equivalents	25	1,112
<b>2016</b>		
Cash and cash equivalents	25	1,912

#### 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 2017 and 31 March 2016. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the accounts.

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

The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2017 and 31 March 2016 represents the Group's maximum exposure to credit risk.

## 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 29 August 2017 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 2017.
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 Jagdeep Grewal as a Director of the Company.
4. To re-elect Mr William Rhodes as a Director of the Company.
5. That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £1,699,535.28 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 2018 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Companies Act 2006, but without prejudice to any allotment already made or to be made pursuant to such authority.

Resolution 6 is proposed as a special resolution.

6. That, conditional upon the passing of resolution 5 above, and in accordance with section 570 of the Companies Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 5 as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:
  - 6.1 the allotment of equity securities in connection with an issue in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them but subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements arising or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and
  - 6.2 the allotment of Ordinary Shares otherwise than pursuant to subparagraph 6.1 above up to an aggregate nominal amount of £257,505.32,

and provided that this power shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, 31 October 2018, 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**  
29 June 2017

Registered in England and Wales number: 5017761

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### Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at close of business on 25 August 2017 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 108,745,669 ordinary shares of 4 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is as at the date of this Annual Report 108,745,669. The Company anticipates issuing up to a further 20,007,003 ordinary shares of 4 pence each pursuant to the Fundraising announced on 30 June 2017.

### Communications with the Company

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

### Voting through CREST

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

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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### **Country of incorporation**

England & Wales

### **Omega Diagnostics Group PLC**

Registered number: 5017761



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