Advancing global health

Omega Diagnostics Group PLC

Annual Report and Group Financial Statements 2020

A leading company focused on CD4, infectious diseases and food intolerance

Our range of products

Omega Diagnostics Group PLC's subsidiaries provide high quality in-vitro diagnostics (IVD) products for use in hospitals, clinics, laboratories and healthcare practitioners in over 75 countries and specialise in the areas of CD4, infectious diseases and food intolerance.

For the year ended 31 March 2020, our revenue was comprised of the following segments:

Food intolerance

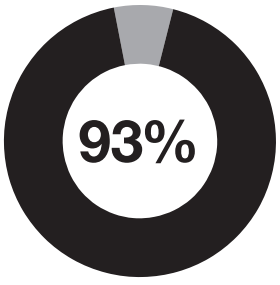
Main products:

- Foodprint®
- Food Detective®
- CNS laboratory service

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

Revenue share

£9.2m



Infectious disease and Global health

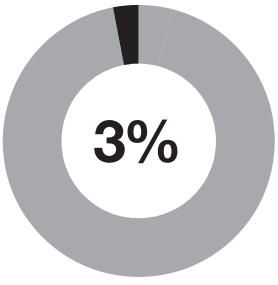
Main products:

- VISITECT® CD4
- VISITECT® CD4 Advanced Disease
- COVID-19 antibody and antigen tests

The VISITECT® CD4 in-vitro diagnostic test is for use as an aid in the management of patients with pre-diagnosed HIV infection. This visually read test is designed to be used at the point of care and therefore has utility in decentralised diagnostic settings. The Group has recently become involved in developing and manufacturing antibody tests for COVID-19 and is looking to expand the offering to include antigen tests.

Revenue share

£0.2m



Allergy

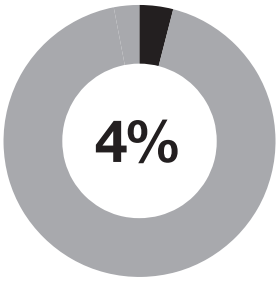
Main products:

- Allergy
- 69 CE-marked allergens

The Group manufactures allergy assay reagents which allow the quantitative determination of Total IgE and Specific IgE in serum. These antibodies appear in human serum and plasma as a result of sensitisation to a specific allergen. Measurement of circulating IgE antibodies provides an objective assessment of sensitisation to an allergen.

Revenue share

£0.4m



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

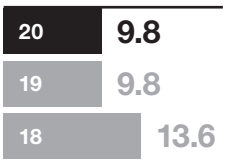
Omega Diagnostics Group PLC

Omega Diagnostics Group PLC

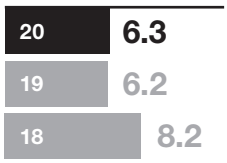
@OmegaDiagnostic

Financial highlights – total operations

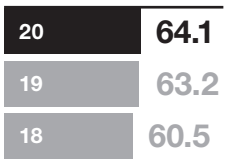
Sales (£m)
£9.8m
0%



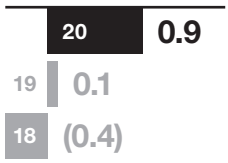
Gross profit (£m)
£6.3m
2.1%



Gross profit (%)
64.1%
0.9%



EBITDA (£m)
£0.9m
EBITDA increased by 607%



Statutory loss for the year after exceptional items was £6,828,312 (2019: profit of £974,253).

Financial highlights – continuing operations

	2020 £m	2019 £m	+/- %
Sales	**9.8**	8.8	+12.1%
Gross profit	**6.3**	5.6	+11.7%
Gross profit percentage	**64.1%**	64.3%	
Exceptional items	**(7.7)**	—	
EBITDA	**0.9**	0.2	+347%
Adjusted loss before taxation	**(0.4)**	(0.2)	-81%

Operational highlights and post-period-end highlights

- **VISITECT® CD4 Advanced Disease test added to Global Fund procurement list following opinion from the Expert Review Panel for Diagnostics**
- **VISITECT® CD4 Advanced Disease – Médecins Sans Frontières (MSF) completes successful multi-site trial in three countries (Democratic Republic of Congo, Malawi and Zimbabwe)**
- **Supply agreement signed with Clinton Health Access Initiative (CHAI) to accelerate access of VISITECT® CD4 Advanced Disease in low and middle income countries**
- **VISITECT® CD4 receives approval from Nigerian Ministry of Health**
- **Food intolerance division returns to double-digit sales growth and makes significant progress with partners in China**
- **Chinese regulatory approval of China-specific Food Detective® test to run in laboratory settings**
- **Agreement signed with UK Rapid Test Consortium to produce COVID-19 antibody lateral flow self-test for UK government and design freeze achieved**
- **CE marking of ELISA COVID-19 antibody test in conjunction with Mologic Ltd and first commercial sale**
- **Material Transfer Agreement signed with Mologic Ltd to access its COVID-19 antibody lateral flow test and antigen ELISA and lateral flow tests**
- **Placing and open offer to raise £11 million**
- **Cessation of allergy development activities, resulting in net impairment of capitalised development costs of £7.73 million**

Contents

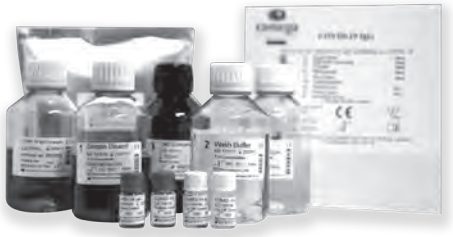
Our key focus going forward

VISITECT® CD4

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

COVID-19

As a result of the recent COVID-19 outbreak, Omega is utilising its development and manufacturing expertise to assist in response to this pandemic. Omega has CE marked an antibody ELISA test and is working on an antibody self-test for the UK government. In addition, it is currently in the process of transferring Mologic technology to produce a professional use antibody lateral flow test that will be Omega branded. Once Mologic successfully completes the development of its antigen tests (ELISA and lateral flow formats) these will be transferred and CE marked as Omega branded product.



Food intolerance/sensitivity

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

Our core values

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

Accountability
Ask what more I can do. Take ownership.

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

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

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

To say that this has been an unusual and eventful year for Omega – and the world – would be a bit of an understatement. But, even in an environment of uncertainty, with a global pandemic as our backdrop, we have been able to achieve many significant milestones, some of which are helping to reshape the Company in terms of focus and efforts.

With the advent of COVID-19, we have undertaken a number of processes to ensure the safety and health of our associates in all of our facilities. Fortunately, we have not to date had any employees fall ill from COVID-19. We take this responsibility of ensuring we do all that we can to promote workplace safety very seriously.

Along with the pandemic has come the opportunity for Omega to "rise to the occasion", and leverage our talent, resources, facilities and manufacturing capabilities to rapidly move forward in developing and producing test kits for both COVID-19 antibody testing as well as antigen-based direct tests that identify active infections. We are almost uniquely positioned to manufacture both handheld lateral flow test kits that can be used at point of care or even at home, as well as ELISA format assays that are used in clinical laboratories to meet higher throughput testing needs.

We are proud that we have been able to quickly focus on these products, along with our partners, to not only meet the testing needs of Scotland and the UK, but also make them available globally. This has led us to re-evaluate various parts of our business and where we have the best opportunities to not only make a difference in people's lives but also create the best financial return, and therefore we are planning to deploy our resources a bit differently in the upcoming fiscal year, 2021.

In terms of our core businesses, we have also been working hard to deliver value to our customers and our shareholders. Our Chief Executive, Colin King, highlights specific performance metrics in each of our focus areas in his CEO Report. I would like to touch on a few of the most significant strategic aspects of each:

Food intolerance

We continued to see growth in this business, primarily with our partner in China. Along with them, we made excellent progress in advancing through Chinese product registration and development, and this despite the impact of COVID-19 there. We believe we are well positioned for growth, with the full understanding that it may take a bit longer considering the global pandemic and, more particularly, China's own return to normalcy. That said, both our partner and we are expecting to grow this business and will continue to deploy resources to achieve significant growth as the opportunities to do so arise.

The US, on the other hand, continues to present challenges. While we see significant opportunity there for our food intolerance testing products, the regulatory environment and market access in the US has proved to be difficult for these tests, and having a US partner is important to access the market – although where the testing is performed may be less important than how we access our US customers. Our current distribution partner had experienced financial issues, and, as such, we decided to terminate that agreement. We are now actively re-evaluating our path forward in the US and expect to formalise our strategy, approach to the consumer and necessary relationships during the balance of 2020.

Allergy and autoimmune

We continued to be disappointed with sales progress in this area, even though we were able to CE mark 69 allergens to be run on our partner's (IDS) instruments. However, given the costs to develop additional allergens, the slow pace of increasing sales, and the need for us to focus our resources on areas that promise to yield higher near-term returns, such as COVID-19 test kit development and production, we have taken the necessary steps to discontinue development of additional allergens. We will continue to produce the 69 allergens developed for IDS but will wind down all additional development efforts in this area.

Infectious disease

While the advent of the COVID-19 pandemic has slowed our sales of the VISITECT® product line, we see this as an inevitable delay due to our distributors and various country governments needing to refocus their resources and attention on COVID-19. Ultimately, though, this does not change demand for CD4 testing – HIV, unfortunately, will not simply go away.

We have successfully brought two VISITECT® products to market; the VISITECT® Advanced Disease test, meant to be used with individuals whose disease is more severe and who need to be more routinely monitored, and VISITECT® 350, which is used with those living with the disease but whose condition is better controlled.

While a strong market exists for the VISITECT® 350 test, with the largest demand in Nigeria, we expect that the VISITECT® Advanced Disease test, with a 200 cells/µl cut-off, will be the larger opportunity. For example, the US government, through PEPFAR, has indicated support for a lateral flow CD4 assay, and Unitaid, via the Clinton Health Access Initiative (CHAI), is investing at least $20 million through the end of 2021 to accelerate the deployment of Advance HIV disease care which will specifically include our CD4 lateral flow assay with a 200 cells/µl cut-off.

Unlike any other diagnostics companies producing CD4 tests of various formats, we believe that Omega has the only fully validated, commercially available lateral flow CD4 test kit that can meet the specifications called for by these multiple funding agencies.

Results

The Group's financial results for the year ended 31 March 2020 are set out in the consolidated financial statements on pages 31 to 35 and are discussed in detail in the Financial Review starting on page 12.

Board and management

I have been pleased to continue to serve in the role of Interim Non-Executive Chairman throughout the year and plan to continue until such time as a permanent successor is appointed. I would like to thank my colleagues on the board and all the employees of the Omega Group who, collectively, have achieved much in our core business and who have demonstrated flexibility in rising to the new challenges and opportunities presented by COVID-19.

Fundraising and going concern

Since the announcement on 9 April 2020, regarding the Company's involvement with the UK Rapid Test Consortium ("UK-RTC") to develop a lateral flow antibody test for COVID-19 on behalf of the UK Government, the Company's share price has risen considerably from 11p per share the day before the announcement. This has enabled some long-standing shareholders to finally realise some value from investments made many years ago, which is very pleasing. It has also presented an opportunity for the Company to attract a new institutional following and I am grateful for the support shown from both existing and new shareholders in supporting the Company's recent placing and open offer which has raised £10.5 million net of expenses and will be used by the Company to exploit the opportunities which were outlined in the circular posted to shareholders on 22 June 2020.

The directors have considered the principal risks and uncertainties the Group faces and other factors impacting the Group's future performance such as the coronavirus pandemic. While the impact of the pandemic in terms of length, severity and disruption to business is not possible to forecast, given the significant new investment into the Company from the placing and open offer, the Directors are comfortable that the Group can survive unprecedented reductions in revenue for at least the next twelve months and that the Group has adequate resources to continue to exist for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing its consolidated financial statements.

Outlook

We believe that our outlook for the coming fiscal year is excellent – while we have decided to stop development of the allergen product lines, and the Food intolerance revenues are slowed by COVID-19, we are rapidly developing new tests, together with our partners, for COVID-19 that will need to be made and sold, ultimately, in the hundreds of thousands of units, if not millions. We are meeting this challenge by deploying more of our Company's resources in this area, as well as looking to expand our manufacturing capabilities to handle the tremendous increases in volume that will be needed. We see our VISITECT® product lines once again growing significantly as the world balances COVID-19 with the need to test patients with other life threatening, and in some cases chronic, diseases such as HIV. China has already demonstrated a profound ability to return to normal in many of its activities and markets, and we, together with our partner, anticipate returning to growth in Food intolerance as the pandemic ebbs.

Perhaps most importantly to us, and hopefully to you, our shareholders, Omega has been well positioned and highly proactive in playing a key role in developing and manufacturing much needed COVID-19 tests for use throughout the world and, more specifically, to also be able to serve the needs of the people of the UK and Scotland. It has been very gratifying to all Omega associates that we can contribute in this way, and do our part to enhance people's lives, protect their health and ultimately help us all to return to a more normal way of life.

William Rhodes
Interim Non-executive Chairman
13 July 2020

Our strategy – Reaching new heights

How we generate revenue

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

Food intolerance

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

Infectious disease and global health

Our focus is on commercialising VISITECT® CD4 in managing patients with Advanced HIV and developing a range of antibody and antigen tests for COVID-19.

How we are different

Geographic presence

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

People and knowledge

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

Technology and innovation

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

Strong partnerships

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

Our strategy

Revenue growth

Growing the revenue for each of the three business units

One team ethos

Improve collaboration between departments and implement our cultural beliefs

Operational excellence

Develop processes for continuous improvement, consistent quality culture and growth in gross margin

Empowering our people

Provide a framework where all staff can contribute to achieving our aim

A clear strategy to further the Group's progress

Achievements	Future focus
– VISITECT® CD4 Advanced Disease test added to Global Fund procurement list following opinion by Expert Review Panel for Diagnostics – VISITECT® CD4 Advanced Disease – MSF completes successful multi-site trial in three countries (Democratic Republic of Congo, Malawi and Zimbabwe) – Supply agreement signed with Clinton Health Access Initiative (CHAI) to accelerate access of VISITECT® CD4 Advanced Disease test in low and middle income countries – VISITECT® CD4 receives approval from Nigerian Ministry of Health – Food intolerance division returns to double-digit sales growth and makes significant progress with partners in China – Chinese regulatory approval of China-specific Food Detective® test to run in laboratory settings – Total of 69 allergens CE marked to run on the fully automated IDS system – CE marking of ELISA antibody COVID-19 test in conjunction with Mologic Ltd – Agreement signed with UK Rapid Test Consortium to produce antibody lateral flow self-test for UK government – Material Transfer Agreement signed with Mologic Ltd to access its antibody lateral flow test and antigen ELISA and lateral flow tests	– Obtain WHO prequalification for VISITECT® CD4 Advanced Disease – Commercialise VISITECT® CD4 350 with a focus on Nigeria – Support CHAI to implement VISITECT® CD4 Advanced Disease in low and middle income countries – Develop VISITECT® CD4 customer training packages that can be accessed online and remotely – Support Chinese partner to achieve self-test approval in China – Implement revised strategy to establish presence in US food intolerance market – Develop a digital platform for food intolerance testing – Commercialise COVID-19 ELISA antibody test – Scale up lateral flow production to support supply of devices for UK government – Transfer technology, CE mark and commercialise professional lateral flow test for both antibody and antigen testing along with antigen ELISA test
– Group core values launched – Health and wellbeing strategy commenced – Staff communications enhanced via intranet, newsletters, Company meetings and staff briefings – Staff survey group implementing key findings – Implemented 5S training in both sites and communication boards to identify opportunities and positive working – Kanbans introduced on both sites to improve material availability	– Roll out accountability training across the Group – Continue to promote and develop health and wellbeing culture – Improve departmental interfaces and collaboration
– Project management structure and processes extended to include business improvement projects – Strategic sourcing strategy continues to develop – Quality culture and training implemented and updated quality policy in place – Significant improvement in FoodPrint® production yields – ELISA plate dispenser installed and validated – Progress made with UK site expansion plans to support future growth – Production planning process including capacity planning updated on both sites	– Execute UK site expansion – Implement packaging reduction project – Capital expenditure projects for COVID-19 and equipment to become operational – Commence CD4 margin improvement project
– Management training programmes in place and making a positive difference. Widen to include talent development – Staff appraisals and development programmes in place – Staff recruitment and induction processes improved and in place – Work commenced on a staff skills matrix linked to reward system	– Complete staff skills matrix project – Continue to invest in training and development for all staff – Further develop talent pipeline to ensure long-term success of the Group

A clear focus on our strategic drivers has not only ensured we achieved key milestones during 2019, enabling us to position for sustainable growth but has also allowed us to leverage our skills and expertise to respond to the global COVID-19 pandemic.

- **Group revenue from continuing operations achieves growth of 12.1%**
- **Food intolerance revenue achieves growth of 13.9% due mainly to sales of Food Detective in China**
- **Supply Agreement signed with Clinton Health Access Initiative will accelerate the deployment of our VISITECT ® CD4 Advanced Disease test in low and middle income countries**
- **Agreement signed with UK Rapid Test Consortium to produce a lateral flow COVID-19 antibody self-test for the UK Government and design freeze achieved**
- **CE marking of ELISA COVID-19 antibody test in conjunction with Mologic Ltd and first commercial sale**

Our revenue in the twelve months to 31 March 2020 was £9.8 million and, based on continuing operations, this showed a growth of 12% on the year prior. This growth was driven by our Food intolerance business which returned to double-digit growth of 14% over the prior year.

Our statutory loss for the year was £6.8 million compared to a profit of £0.97 million in the prior year. The main driver for the loss was as a result of the recent decision to stop development of the Allergy product range to run on the IDS system. This incurred a £7.73 million net write off.

Gross profit from continuing operations increased from £5.6 million to £6.3 million reflecting the higher sales with gross profit percentage being maintained at 64%. EBITDA increased on prior year from £0.2 million to £0.9 million.

Core business

Food intolerance

– The Food intolerance division sales continued to grow on last year's increase of 7%, with a further 13.9% growth. This resulted in sales in 2020 of £9.2 million (2019: £8.0 million). The main driver for the growth was our partner in China, which procured £1.2 million of Food Detective® product.

– Sales of FoodPrint® increased by 4% to £5.66 million (2019: £5.46 million). The Group sold a further 23 instruments, taking the cumulative number of installations to 216 instruments in 42 countries. Revenue per instrument decreased by 9% to £26,189 (2019: £28,942).

– Sales of Food Detective® increased by 57% in the year to £2.63 million (2019: £1.67 million).

– Our development team and our strategic partner in China have made excellent progress with the development and registration of our Food intolerance product in China, despite the outbreak of COVID-19 in China. Our partner received regulatory approval for the Chinese version of the Food Detective® test for use in a laboratory at the beginning of April and it is now working with the authorities to gain approval to allow the test to be run directly by the public. In preparation for the expected launch, we shipped orders (over three deliveries) totalling 98,040 tests by March 2020.

– Our strategy to address the US market has suffered a setback following one of our partners running into financial difficulties and we have now terminated its distribution agreement. As a result of this, we are now assessing different options to grow our revenues in this key market and expect to commence implementing this revised strategy towards the end of calendar year 2020.

– The move into our new purpose-built facility in Ely, for our Food intolerance business unit, has been significantly delayed due to the main contractor going into administration in 2019 and then further delayed due to the COVID-19 outbreak. We are now expecting the building to be completed by October this year.

Allergy and autoimmune

– The Allergy and autoimmune division sales, which include discontinued operations, decreased by 59% on the prior year to £0.4 million (2019: £0.98 million). The main reason for the decline was caused by the 2019 revenues including a contribution from the German Allergy business in the first quarter.

– We increased the Allergy menu running on the IDS instrument to 69 CE marked allergens and these are now in routine production. Post year end, we have, however, made the decision to stop ongoing development of this product range. We will continue to manufacture the 69 allergens to meet any orders placed on us by IDS. As a result of changes to underlying assumptions of future revenues, under IAS 36, there is an impairment to the carrying value of the intangible asset and licence fee (combined £8.75 million), partially offset by a release of grant income from the balance sheet (£1.02 million) leading to an exceptional P&L charge of £7.73 million. This has no cash impact on the business and the cessation of future allergy development activities will reduce ongoing cash outflows.

– Autoimmune sales were flat at £0.37 million (2019: £0.35 million) and this product range has now been discontinued as no longer being core to our business.

Infectious disease
The Infectious disease division sales including discontinued operations decreased by 66% on the prior year to £0.25 million (2019: £0.73 million). The main reason for this decline was that the prior year included a first quarter revenue contribution from the legacy Infectious disease business which was sold in June 2018. In addition, expected growth in revenues from VISITECT® CD4 did not materialise as planned due to delays in gaining regulatory approvals, particularly in Nigeria.

VISITECT® CD4 – key achievements in the last financial year:

– VISITECT® CD4 Advanced Disease test was included in the Global Fund procurement list in September 2019, following successful conclusion of a quality risk assessment review by the Expert Review Panel for Diagnostics (ERPD).

– VISITECT® CD4 350 received Nigerian MOH approval in January 2020.

Commercialisation for our VISITECT® CD4 350 will be primarily focused on Nigeria, following approval by MOH, noted above. As a result of the approval, the test has been included in the Nigerian National HIV Control Programme. The health authorities are currently determining the overall demand across all regions within Nigeria prior to placing orders on our distributor. This process is currently on hold due to the current outbreak of COVID-19. We remain confident that this demand will materialise, and that Nigeria remains a large market opportunity.

We believe that VISITECT® CD4 Advanced Disease is the larger opportunity out of the two test formats. The US government, through the US President's Emergency Plan for AIDS Relief (PEPFAR), has included support for a "lateral flow CD4 assay" in its current operational guidance and the Global Fund has indicated it will financially support the initiative.

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

1. Advanced HIV Disease Initiative co-ordinated by Unitaid via Clinton Health Access Initiative (CHAI)
2. Médecins Sans Frontières (MSF)
3. United Nations NGO networks

1. Advanced HIV Disease Initiative – Unitaid is investing $20 million to run through to the end of 2021 in a package of care which includes a CD4 lateral flow assay with a cut-off at 200 CD4 cells/μL. This initiative is being driven by Unitaid and will be implemented by CHAI. The aim of the initiative is to accelerate the deployment of advance disease care across low and middle income countries (LMIC). The programme will act as the catalyst to establish a deployment in those countries and allow other aid agencies such as the Global Fund and PEPFAR to continue after that initial set-up. The programme is open to all LMIC countries but will initially target five or six countries as early adopters prior to a wider roll-out. A supply agreement was signed between Omega and CHAI in April 2020 to provide the framework for this programme to commence with a minimum of 100,000 tests and up to 500,000 tests to be ordered by CHAI between April 2020 and December 2021.

2. MSF – MSF has recently successfully concluded a multi-site study across three countries (Zimbabwe, Malawi and the Democratic Republic of Congo). The key conclusion is that the test is ideally suited for use in remote settings. Despite the positive results, procurement of our VISITECT® CD4 Advanced Disease test has been delayed as a result of COVID-19 with resources being re-deployed to deal with this crisis.

3. United Nations NGO networks – these are all prospective and significant buyers, however procurement requires WHO prequalification approval to be completed. This approval incorporates three stages:

1. Review of technical documents which is currently underway.
2. WHO product evaluation, which will take place in Kenya. This has been delayed due to COVID-19 and we are currently awaiting ethics approval prior to commencement of the study. We remain hopeful that we will complete the evaluation before the end of the calendar year.
3. Site audit was performed in late January and we have recently submitted our corrective action plan for approval, which will hopefully close out this stage.

Fundraising
I am very pleased with the level of support we received from new and existing shareholders in supporting our vision on how best to make a success of the opportunities that have presented around COVID-19 testing. The significant levels of investments made, both through the placing and open offer totalling £11 million will enable the company to execute on this vision whilst at the same time, bring products to market that are priced at socially responsible levels.

I look forward to providing updates on significant developments throughout the year on our CD4, COVID-19 and Food Intolerance business units.

Outlook
The outbreak of COVID-19 has impacted our core business in quarter one but the full extent of the impact is still unknown at this stage. However, there are several reasons to be optimistic as we look forward.

Food intolerance in China, with the expected self-test approval later this year, offers significant growth opportunities.

For CD4, the CHAI programme to accelerate the deployment of our VISITECT® CD4 Advanced Disease test, and the expected WHO prequalification approval later this year, will see the adoption of this unique and important test in several key countries.

The COVID-19 outbreak itself has provided significant short-term opportunities as we work with partners to leverage our skills to develop and manufacture both ELISA and lateral flow rapid tests to cover both antibody and antigen testing. We are in the process of significantly increasing capacity in both our manufacturing sites (Alva and Littleport) as part of our contribution to the UK Rapid Test Consortium to manufacture rapid antibody self-tests for the UK government. Additionally, we have signed an agreement with Mologic to CE mark, manufacture and sell both antibody and antigen tests in two formats namely ELISA and lateral flow.

We are, therefore, confident as we look forward that we are well positioned to deliver growth to the business.

Finally, I would like to thank all the Group's employees for their continued support and commitment. The COVID-19 outbreak has shown not only their great desire to ensure we manage the business through these difficult times but also their amazing flexibility which has allowed us to progress the various COVID-19 opportunities at a faster than normal rate. They have also ensured that the sites remain secure and that they and their colleagues are protected.

Colin King
Chief Executive
13 July 2020

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 (SMT) meets on a regular basis and ensures that time is dedicated to review the Group risk register on a detailed basis. The SMT covers all business areas and risks are assessed with regard to likely impact and probability so that movements in risk score can be carefully monitored. A summary of the highest level risks is included in the monthly Executive Board report and is reviewed at regular Board meetings.

Principal risks and uncertainties

Key

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

Risk and description	Mitigating actions	Change
General economic and political conditions The Group may be faced with changes in the general economic climate in each territory in which it operates that may adversely affect the financial performance of the Group. Factors which may contribute include the level of direct and indirect competition against the Group, industrial disruption, rate of growth of the Group's product segments and interest rates. The Group has identified China as a key growth market.	The Group seeks to mitigate this risk by conducting operations on a broad geographic basis and by introducing new technologies to remain innovative.	→ The political climate in the UK has stabilised to a degree with a majority government being formed following the last general election. US relations with China could deteriorate in 2020, particularly as the US presidential election approaches in November. Businesses globally could be caught up in this rivalry.
Brexit Following the last UK general election, a majority UK government was able to negotiate a withdrawal bill through Parliament enabling the UK to leave the EU on 31 January 2020 under transitional arrangements due to end by 31 December 2020.	The Group earns a significant proportion of its revenues in currencies other than sterling, which can help to mitigate the impact of withdrawal. The Group has also increased communication with suppliers of certain key raw materials.	→ The Group no longer has facilities or employees in the EU. Uncertainty remains if the UK/EU is unable to agree a trade deal by 31 December 2020 and negotiations may be hampered by the coronavirus pandemic or the transition period may be extended.
Regulatory risk The manufacturing, marketing and use of the Group's products are subject to regulation by government and regulatory agencies in many countries. Of importance is the requirement to obtain and maintain approval for a product from the applicable regulatory agencies to enable the Group's products to be marketed. Approvals can require clinical evaluation of data relating to safety, quality and efficacy of a product. Failure to comply with the various regulatory laws can have adverse consequences including increased costs, restrictions, recalls or product suspensions.	The Group continually monitors its product portfolio for fitness for purpose. The Group engages with organisations such as WHO to understand and implement their requirements. The regulatory team is implementing a strategy to deal with the new IVD Regulation (2017/746) of 2017 due to complete its transitional phase by May 2022.	↓ VISITECT® CD4 Advanced Disease test received ERPD approval in 2019 and has made significant progress in the WHO prequalification process.

Risk and description	Mitigating actions	Change
Funding/solvency risk The Group continues to require access to funds in excess of the operating cash flow generated by core business operations. There can be no guarantee of success in securing additional sources of external finance.	The Group seeks to mitigate this risk by maintaining good relationships with shareholders and its bank. Achieving positive business performance to increase the share price.	↓ The Group has maintained an adequate level of liquidity with an increase of its overdraft facility from £2 million to £3 million and has recently raised additional equity funding of £10.5 million net of expenses.
Cyber security risk The Group's IT systems could be subject to attack from ransomware, malware and distributed denial of service attacks.	The Group has IT security systems, data breach policies and awareness training in place to mitigate against cyber attacks.	↑ Cyber attacks are becoming more powerful and efficient and the threat may be exacerbated as more employees work from home due to the coronavirus pandemic.
Development risk There is no guarantee that development activity will lead to the future launch of products. Such development activity can meet technical hurdles that are unable to be overcome, and market and competition activity can render the output from development activities obsolete. Poor product evaluations could lead to delays in approvals and product launches.	The Group seeks to mitigate the risk around development activities by ensuring that new product candidates undergo a rigorous screening programme. The Group has again reduced expenditure on development compared to prior years.	↓ The Group has now CE marked 69 allergens to run on the IDS automated instrument and has ceased all future development activity. Production yields of FoodPrint® slides have increased following investment in the Food intolerance business.
Technology risk Competition introduces new technology that competes with the Group's current portfolio which is disruptive in nature.	The Group adapts sales and marketing tactics as necessary and seeks to educate business partners on how to handle competitive threats.	→ The Group continues to invest and has identified new development opportunities that complement existing products and utilise strong skills and experience of development staff.
Operational risk Certain parts of our business may be reliant on single sources of supply or single customer partnerships.	Develop closer relationship with partners. Create strategic sourcing plan and provide forecast information and call-off orders to suppliers to increase on-time delivery for key raw materials.	→ Unique suppliers identified for all key raw materials for UK operations.
Pandemic risk The recent COVID-19 pandemic has created significant uncertainty on a global level. Global economies will be affected by government actions and the ability of companies to operate effectively in the UK has been impacted by government lockdown decisions.	Allowing as many staff as possible to work from home. Eliminating travel and holding remote meetings. Adopting social distancing measures in manufacturing spaces to ensure the health and safety of all staff who cannot work from home. Increased contact with suppliers and customers to mitigate disruption throughout supply chains. Increased frequency of cleaning the Company's sites. Increased overdraft facility to cover potential short-term disruption to business. Adoption of a Business Continuity Plan.	↑ There has been short-term disruption to our Food intolerance sales in Q1 of the new financial year compared to Q1 for the year ended 31 March 2020. It is not possible to assess any longer-term impact from COVID-19 but we have modelled reductions in revenue that suggest the Group can survive the pandemic as disclosed more fully in the going concern section of the Corporate Governance report on page 19.
Key employees The Group operates in an industry where the recruitment, training and retention of talented people is critical to the Group being able to deliver successfully on its strategies and objectives.	The Group aims to offer competitive salary and benefits packages. Management training programmes are in place. Staff appraisals and development programmes are in place.	→ The Group monitors trends in the industry and undertakes a UK-wide salary benchmarking exercise once a year. Whilst there have been some staff losses to competitor companies, the Group's operations have not been adversely affected.

The Group has successfully raised £11 million from the placing and open offer in June which provides the Group with significant cash resources to exploit its opportunities.

The financial results for the year have been impacted by the decision for our Allergy business unit to stop developing further allergens beyond the 69 we have CE marked to date, giving rise to an exceptional loss. There have been no discontinued operations in the year, as there were in the prior year, which I will detail later. I will therefore deal first with a summary of financial performance from continuing operations.

Continuing operations financial summary

	2020 £	2019 £	+/- %
Food intolerance revenue	**9,170,864**	8,050,142	+13.9%
Allergy and autoimmune revenue	**398,678**	401,251	-0.6%
Infectious disease revenue	**249,120**	305,363	-18.4%
Total revenue	**9,818,662**	8,756,756	+12.1%
Gross profit	**6,293,973**	5,632,329	+11.7%
Gross profit percentage	**64.1%**	64.3%	
Exceptional items	**(7,732,532)**	—	
EBITDA	**893,007**	199,668	+347%
Adjusted loss before taxation	**(395,673)**	(218,060)	-81%

Group revenue from continuing operations increased by 12.1% to £9.82 million, due mainly to the performance in our Food intolerance division which benefited from sales of a newly developed version of the Food Detective® kit for the Chinese market. Sales of this kit in China generated revenues of £1.24 million (2019: £Nil) and are included within total Food Detective® sales of £2.63 million (2019: £1.67 million). China is expected to be a strong growth driver over the coming years. Sales of our laboratory test, FoodPrint®, achieved sales of £5.66 million (2019: £5.46 million) with the "top ten" markets by revenue achieving growth of 5.3% over the prior year, outstripping the overall growth rate of 3.7%. Revenues for autoimmune and infectious disease products continue to be principally derived of sales through our Indian subsidiary and amounted to £0.65 million (2019: £0.71 million).

The gross profit margin percentage has been maintained for continuing operations at 64.1% (2019: 64.3%) in line with our target range, with rising raw material costs having been mitigated by the slightly higher product mix towards our Food intolerance products.

Administrative overheads from continuing operations increased by £0.67 million to £5.37 million (2019: £4.70 million). The majority of this increase relates to the commencement of intangible asset amortisation charges of £0.56 million (£0.43 million relating to Allergy and £0.13 million relating to VISITECT® CD4).

Selling and marketing costs reduced marginally to £1.49 million (2019: £1.53 million) with increased headcount costs of £0.1 million being offset by reduced marketing spend of £0.14 million.

As noted above, there is an exceptional cost in the year comprising an impairment charge of intangible assets. This follows the decision to stop all future expenditure on the Allergy development programme. Due to significant adverse changes in underlying assumptions, we reassessed our impairment models and concluded that the recoverable amount of the Allergy assets, comprising a licence fee of £1.48 million and capitalised development costs of £7.27 million, was less than its current carrying value. Accordingly, an impairment charge in accordance with IAS 36 has been recognised to record these assets at their current estimated recoverable amount.

Following confirmation from Scottish Enterprise that the R&D grant awarded in 2016 has been successful in supporting the development of the 69 allergens we have developed to date, and having confirmed that Scottish Enterprise will not seek repayment of £1.4 million drawn down to date, we have recognised a proportionate amount of deferred income, previously on the balance sheet, as exceptional income in the year.

Exceptional items summary (pre-taxation)

	2020		2019	
	Continuing operations £	**Discontinued operations £**	Continuing operations £	Discontinued operations £
Impairment of intangible asset	**(8,747,683)**	**—**	—	—
Credit from government grant deferred income	**1,015,151**	**—**	—	—
Gain on sale of Infectious disease business	**—**	**—**	—	901,808
Omega Diagnostics GmbH closure	**—**	**—**	—	758,875
Total	**(7,732,532)**	**—**	—	1,660,683

Discontinued operations financial summary

	2020 £	2019 £
Food intolerance revenue	**—**	—
Allergy and autoimmune revenue	**—**	578,907
Infectious disease revenue	**—**	423,656
Total revenue	**—**	1,002,563
Gross profit	**—**	531,095
Gross profit percentage	**—**	53%
Exceptional items	**—**	1,660,683
EBITDA	**—**	(73,370)
Adjusted loss before taxation	**—**	(85,177)

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

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

Loss before tax and EBITDA

The Group has recorded a statutory loss before tax of £8.30 million, which includes the net exceptional charges of £7.73 million noted above.

The Group also monitors its EBITDA level as being a measure of profit that is more aligned with the cash-generating activities of the business. The Group generated an EBITDA in the year of £0.89 million (operating loss before exceptional items of £0.32 million with add-backs of £0.47 million for depreciation, £0.68 million for amortisation and £0.06 million for share-based payments). In the prior year, the Group generated an EBITDA of £0.12 million (operating loss before exceptional items of £0.38 million with add-backs of £0.33 million for depreciation, £0.14 million for amortisation and £0.03 million for share-based payments).

Segmental performance as presented in the notes to the financial statements shows that the Food intolerance division and the Allergy and autoimmune segment were EBITDA positive after an allocation for Group overheads. The Infectious disease segment shows an EBITDA loss due to the decision to retain manufacturing staff in the business, following the divestment of the legacy Infectious disease business to Lab 21 Healthcare Ltd, ahead of ramping up production for VISITECT® CD4 and the more recent opportunities which have presented for COVID-19 testing (see page 14).

Taxation

The current year tax credit of £1.47 million includes a current year credit movement in deferred tax of £1.52 million predominantly relating to the intangible asset impairment noted above, a prior year debit movement in deferred tax of £0.22 million and a current year credit of £0.17 million relating to a receipt from HMRC for surrendering SME R&D tax credits.

We retain cumulative tax losses of approximately £7.6 million that are carried forward and available for offset against future profits. Our UK companies continue to benefit from government policies on tax that encourage investment in research and development activities. In the year a research and development expenditure credit of £0.15 million (2019: £0.17 million) was accrued in the income statement and is included as a credit within administration costs and carried as a debtor at 31 March 2020. In addition, we received an SME R&D tax credit of £0.17 million relating to the year ending 31 March 2019.

Earnings per share

Adjusted earnings per share were (0.2) pence versus (0.2) pence in the prior year. The adjusted loss after tax of £0.40 million (2019: £0.27 million) is calculated on 140.3 million fully diluted (2019: 127.1 million) shares in issue. The calculation of adjusted loss after tax is contained in Note 19 to the financial statements and on page 32 (Adjusted loss before tax). Statutory earnings per share were (4.9) pence (2019: 0.8 pence) on statutory loss after tax of £6.83 million (2019: profit of £0.97 million).

Research and development

During the year, we invested a total of £2.10 million in all development activities, a reduction of £0.5 million from the prior year (2019: £2.60 million), representing 21.4% (2019: 26.6%) of Group turnover. Expenditure on our Allergy project reduced to £0.88 million (2019: £0.98 million) before Allergy-related contributions of £0.28 million from the Scottish Enterprise R&D grant. The menu at the end of the financial year extended to 69 allergens before the decision to cease future development as noted above. Expenditure on VISITECT® CD4 reduced to £0.76 million (2019: £0.96 million) and was incurred in support of product evaluations in three African countries with Médecins Sans Frontières, the Ministry of Health approval in Nigeria and the ongoing application in relation to the WHO prequalification process.

We also reduced expenditure on enhancements to our Food intolerance products, investing £0.42 million in the year (2019: £0.51 million). This expenditure continued the yield improvements in manufacturing of FoodPrint® slides and progress with the Chinese version of our Food Detective® test.

Of the total expenditure, £2.06 million (2019: £2.45 million) has been capitalised on the balance sheet in accordance with IAS 38 – Development Costs whilst earlier stage R&D expenditure of £0.04 million (2019: £0.15 million) has been expensed through the income statement.

Research and development continued

A summary of the carrying value of capitalised development costs, after impairment of the Allergy asset, is shown in the table below:

	2019 £	Incurred in year £	Amortised in year £	Impaired in year* £	**2020 £**
Allergy	6,800,239	879,455	(432,743)	(7,246,951)	**—**
VISITECT® CD4	3,815,177	761,903	(130,925)	(16,068)	**4,430,087**
Food/other	1,020,800	421,331	—	—	**1,442,131**
Total	11,636,216	2,062,689	(563,668)	(7,263,019)	**5,872,218**

* Allergy impairment figure of £7,246,951 excludes an impairment charge of £1,484,663 of the IDS licence fee which is included in the intangible assets note under licences/software. The immaterial CD4 impairment charge of £16,068 relates to a historical project which has since ceased.

Property, plant and equipment

Expenditure on fixed assets in the year was £0.20 million, lower than in the prior year (2019: £0.34 million). Expenditure was incurred principally at the Littleport site in England and included expenditure on manufacturing equipment, of which £0.15 million was offset through new asset finance leasing.

Impact of IFRS 16 – Leases

Following the adoption of IFRS 16, the Group has also recognised right of use assets of £1.98 million from the start of the financial year. This sum has been depreciated by £0.25 million in the year leaving a carrying value on the balance sheet of £1.73 million.

As at 31 March 2020, the outstanding liabilities in connection with leases recognised under IFRS 16 included short-term liabilities of £0.09 million and long-term liabilities of £1.70 million.

Financing

The Group generated a positive cash flow from its operating activities, principally from its Food intolerance testing segment, and this has been supplemented by its funding initiatives from other sources since the financial year end. The Group continues to have a strong relationship with the Bank of Scotland as principal bankers to the Group and, in September 2019, we agreed a further renewal of the overdraft facility of £2.0 million (2019: £2.0 million) until 30 September 2020.

The directors then approached the Company's bank to seek additional short-term funding to mitigate the effects of the pandemic. On 14 May 2020, the bank agreed to increase the Group's overdraft facility from £2 million to £3 million for a period of six months, thereby due to expire on 14 November 2020. The directors intend to agree with the bank that after 14 November, the facility will revert to £2 million but remain in place.

The Group also raised additional equity funds from shareholders on two occasions during the year. In May 2019, the Group raised £0.63 million of new equity capital through a direct subscription from certain shareholders, resulting in the issue of 6,347,950 new ordinary shares at 10 pence per share. In September 2019, the Group issued a further 17,000,000 new ordinary shares at 10 pence per share via a placing and direct subscription and this raised £1.58 million after expenses. Since the financial year end, there have been further developments which are noted in the section below relating to COVID-19 and events since the balance sheet date.

Operating cash flow

The Group monitors its cash requirement carefully and it is a key priority to manage working capital efficiently and to be effective in converting operating income into cash.

Cash inflow from operating activities during the year was £0.55 million (2019: £0.37 million). The Group has achieved a conversion rate of adjusted operating loss (operating loss plus amortisation of intangible assets plus share-based payments) to operating cash of 123% (2019: 379%). At 31 March 2020, the Group's net overdraft utilisation was £0.57 million (2019: £0.74 million). Our ability to continue to generate sufficient future operating cash flow is dependent on the prospects for our VISITECT® CD4 products and the recent opportunities to have emerged with COVID-19 testing (see below).

COVID-19 and events since the balance sheet date

The global coronavirus pandemic has caused much uncertainty throughout the world, with many countries going into lockdown causing a negative effect on economies. Our initial response to the pandemic was to identify key activities to be undertaken from the end of March, for the next few months, and to then take advantage of the government's Coronavirus Job Retention Scheme for staff who could be placed on furlough leave. This support mechanism is delivering what it was designed to do and has helped to preserve cash in the short term. We have also received additional support from our bank, which has increased our overdraft facility from £2 million to £3 million with effect from 14 May 2020 for six months. We have seen an impact from COVID-19 through reduced level of sales in Q1 of the new financial year, compared to the same Q1 for the year just ended, but the impact is within sensitivity models we have run and for which the increased overdraft was sought from the bank.

Finally, as announced on 19 June 2020, we have recently taken the opportunity to raise additional equity funds of £11 million through a placing and open offer to strengthen the balance sheet during what remain uncertain times due to the COVID-19 pandemic. On 25 June 2020, the Company allotted 7,515,350 ordinary shares to new and existing shareholders at 40 pence per share under the authority granted at the AGM on 22 October 2019. Following the general meeting on 10 July 2020 the Company has allotted a further 20,015,750 new ordinary shares at 40 pence per share, comprised of 12,434,650 ordinary shares allotted to new and existing shareholders through the placing, 50,000 ordinary shares allotted to two directors who participated in the fundraising via direct subscription and 7,531,100 ordinary shares to existing shareholders to satisfy the demand through the open offer.

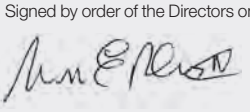
Section 172 (1) Companies Act 2006

The Board has considered the reporting requirements under section 172 of the Companies Act and there is a statement in the Director's Report on pages 22 and 23.

Kieron Harbinson
Group Finance Director and Company Secretary
13 July 2020

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

Signed by order of the Directors on behalf of the Board



William Rhodes
Interim Non-executive Chairman
13 July 2020

William Rhodes
Interim Non-executive Chairman
Appointed 1 May 2013
During his 14-year career with Becton, Dickinson and Company, one of the world's leading suppliers of medical, diagnostic and life science research products, Bill held a number of senior leadership positions and, until the end of 2012, was BD's Senior Vice President, Corporate Strategy and Development, being responsible for BD's worldwide mergers and acquisitions and corporate strategies. Previously, he was Worldwide President of BD Biosciences, a business segment with turnover of over US$1.0 billion, including the provision of flow cytometry instruments and their associated reagents for CD4 testing used in a wide range of laboratory settings. Prior to working for BD, Bill held senior business development positions with Pfizer Inc. and Johnson and Johnson.

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

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

Kieron Harbinson
Group Finance Director
Appointed 6 August 2002
Kieron joined Omega in August 2002 as Finance Director. He has broad experience in technology and related businesses. He started his career with Scotia Holdings PLC in 1984 and remained with the company for 14 years, occupying various senior finance roles. These roles enabled him to acquire experience in corporate acquisitions, disposals and intellectual property matters. In addition he gained experience in various debt and equity transactions, and was involved in raising over £100 million for the company. He then joined Kymata Limited, a start-up optoelectronics company, as Finance Director. Over a period of 18 months, he was involved in raising approximately US$85 million of venture capital funding. Kieron is responsible for finance and investor relations.

Jag Grewal
Commercial Director
Appointed 30 June 2011
Jag joined Omega in June 2011 as Group Sales and Marketing Director. He has worked in the medical diagnostics industry for 22 years having started out as a Clinical Biochemist in the NHS. In 1995 he joined Beckman Instruments where he developed a career spanning 15 years in sales and marketing holding a variety of positions in sales, product management and marketing management. In 2009 he left his position of Northern Europe Marketing Manager to join Serco Health, where he helped create the first joint venture within UK pathology between Serco and Guy's and St Thomas' Hospital. He is also past Chairman and current Treasurer of the British In Vitro Diagnostics Association (BIVDA). Jag is responsible for the commercial strategy and development of the Group driven through sales and marketing, product management, business development and customer service to drive business growth and market share.

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

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

Introduction

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

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

- the appointment of Colin King as Chief Executive in December 2017;
- the appointment of Jeremy Millard as a Non-executive Director on 1 March 2019;
- the introduction of annual Group-wide staff surveys; and
- the implementation of a set of new core values.

Board and Committee structure

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

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

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

- OpGen Inc;
- Paramit Corp;
- CytoSMART B.V.; and
- Third Day Advisors LLC.

Roles and responsibilities of the Board

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

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

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

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

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

The workings of the Board and Committees

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

William Rhodes is acting as Interim Non-executive Chairman until such time as a full-time successor is appointed. William Rhodes is considered by the Board to be independent. However, it is noted that William Rhodes has previously been granted share options as disclosed on page 21 of the Annual Report. Jeremy Millard is considered by the Board to be independent. However, it is noted that Jeremy Millard is the brother-in-law of the Company's largest shareholder.

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

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

– setting corporate strategy;

– approving the annual budget;

– reviewing financial performance;

– agreeing the renewal of and any new banking/treasury facilities;

– approving major items of capital expenditure; and

– reviewing and approving acquisitions.

The Board is provided with appropriate information in advance of Board meetings to enable it to discharge its duties effectively and this includes a report from the Executive members of the Board, along with summary reports from senior managers providing updates on key issues. The Non-executive Directors are committed to providing not less than 18 days annually to the Group. In reality, the Non-executive Directors consistently provide more than this minimum time requirement. The Executive Directors are all full-time employees.

For the last financial year ended 31 March 2020, the number of meetings held, and attendance by each Board member at those meetings he is entitled to attend, is as follows:

	Board	Audit Committee	Remuneration Committee
William Rhodes	10/14	2/2	2/2
Jeremy Millard	11/14	2/2	2/2
Colin King	14/14	—	—
Kieron Harbinson	14/14	—	—
Jag Grewal	10/14	—	—

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

The Audit Committee

The Audit Committee is comprised of Jeremy Millard as Chairman and William Rhodes. William Rhodes took on the role of Chairman of the Committee following the resignation of David Evans on 10 December 2018 and Jeremy Millard was appointed Chairman on 27 August 2019. The Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditors relating to the Group's accounting and financial reporting, in all cases having due regard to the interests of shareholders. The Committee shall also review preliminary results announcements, summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.

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

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

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

The Remuneration Committee

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

Board effectiveness

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

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

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

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

As Chairman, William Rhodes invites all Board members to suggest any candidates who they feel may be capable of adding value to the Board as a whole.

Board effectiveness continued

The Board seeks advice from external advisers where necessary. This includes its nominated adviser/broker in relation to compliance with the AIM Rules for Companies and advice regarding secondary fundraisings. For example, the Board has received advice from its nominated adviser/broker in relation to the raising of equity finance in 2019 and more recently with the placing and open offer announced in June 2020. The Board also regularly seeks legal advice in relation to acquisitions and disposals along with property matters, employment matters and health and safety matters.

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

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

Promoting a culture of corporate values

The Group actively promotes and fosters an environment of core values across the entire organisation of the Group. Before implementation, ideas were presented to all staff to garner feedback and this has led to the adoption of the following core values:

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

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

Internal control and risk management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness throughout the year. Such a system can only provide reasonable assurance against misstatement or loss. The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in financial statements.

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

In the year ended 31 March 2020, the SMT has created a business continuity plan to deal effectively with crisis management situations. The onset of the global COVID-19 pandemic has tested the Group's ability to implement its plan and it has been effective in ensuring that IT systems have been maintained, working practices have changed to allow significant numbers of people to work from home and social distancing measures have been introduced to allow those people who cannot work from home to continue to attend and operate safely in the Company's premises.

The Annual Report also includes an analysis of key risks along with mitigating actions on pages 10 and 11. Where the management of operational risk requires outside advice, this is sought from expert consultants, and the Group receives this in the areas of employment law and health and safety management.

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

Communication with shareholders

The responsibility for investor relations lies with the Chief Executive, who is supported by the Group Finance Director. The Group seeks to engage with shareholders on a number of occasions throughout the year to understand shareholders' needs and expectations.

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

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

The Group also regularly updates its website and provides updates through social media (Twitter, Facebook and LinkedIn) likely to be of interest to existing and new investors. In addition, the Group's PR consultants provide an additional contact point for investors. The Board encourages shareholder participation at its Annual General Meeting, where shareholders can be updated on the Group's activities and plans.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, which runs from pages 1 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12 to 14. In addition, Note 20 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.

On 19 June 2020, the Group announced it was raising additional equity funds through a placing and open offer from existing and new institutional and retail shareholders to raise up to £10.5 million net of expenses. Following the general meeting on 10 July 2020, the Group confirms that the net proceeds raised from this exercise amounted to £10.5 million. The Directors have also prepared updated forecasts to 30 September 2021 and have undertaken additional sensitivity analysis. This includes a scenario of:

– reducing the Company's revenues from its Food intolerance business to approximately 50% of the anticipated level of revenue for the year ended 31 March 2021 before the COVID-19 pandemic;
– reducing the Company's revenues from its VISITECT® CD4 business to levels supported by contractual arrangements; and
– reducing expected levels of revenue from new COVID-19 tests to zero.

In preparing these forecasts, the Directors included certain cost mitigation measures that could be taken but did not include the proceeds from any insurance claims that could be applicable under its business interruption policy. As a result of the equity fundraise, the existing overdraft facility, which is set to expire in November 2020, is not envisaged to be required and has not been relied upon in the Group's base case or sensitised forecasts.

The Directors have considered the principal risks and uncertainties the Group faces and other factors impacting the Group's future performance such as the coronavirus pandemic. While the impact of the pandemic in terms of length, severity and disruption to business is not possible to forecast, given the significant new investment into the Company from the placing and open offer, the Directors are comfortable that the Group has sufficient cash runway and can survive unprecedented reductions in revenue for at least the next twelve months.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue to exist for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing its consolidated financial statements.

By order of the Board

Kieron Harbinson
Company Secretary
13 July 2020

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

Remuneration Committee

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

Remuneration policy

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

Directors' service contracts

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

David Evans was appointed as a Non-executive Director of the Group on 19 September 2006 and was entitled to an annual fee of £25,000 from 1 April 2008. David Evans resigned on 10 December 2018.

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

William Rhodes was appointed as a Non-executive Director of the Group on 1 May 2013 and is entitled to an annual fee of £10,000 for his position as a director. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing. In addition, Third Day Advisors LLC, a company controlled by William Rhodes, is entitled to an annual consultancy fee of £40,000. The agreement will continue until terminated by either party giving to the other not less than four weeks' notice in writing.

Colin King entered into a service contract with the Group on 3 August 2015, under which he was appointed as Chief Operating Officer on an annual salary of £177,500. His salary was increased to £190,000 on 14 December 2017 when he was appointed Chief Executive. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

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

Directors' emoluments

	Fees/basic salary £	Consultancy fees £	Bonuses £	Benefits in kind £	**Total 2020 £**	Total 2019 £
Executive						
Kieron Harbinson	150,000	—	—	1,778	**151,778**	151,575
Jag Grewal	140,000	—	—	3,460	**143,460**	144,244
Colin King*	191,583	—	—	1,523	**193,106**	191,368
Non-executive						
David Evans	—	—	—	—	**—**	17,069
William Rhodes	10,000	40,000	—	—	**50,000**	50,000
Jeremy Millard	25,000	—	—	—	**25,000**	2,083
	516,583	40,000	—	6,761	**563,344**	556,339

* Indicates the highest paid Director.

The £40,000 consultancy fee is paid to Third Day Advisors LLC, a company controlled by William Rhodes.

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

Directors' pension contributions

	2020 £	2019 £
Kieron Harbinson	**7,500**	7,500
Jag Grewal	**7,000**	7,000
Colin King	**7,917**	9,500
	22,417	24,000

Directors' interests in ordinary shares

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

	31 March 2020	31 March 2019
Kieron Harbinson	**681,617**	606,617
Jag Grewal	**213,246**	153,246
Colin King	**768,253**	468,253
William Rhodes	**—**	—
Jeremy Millard	**500,000**	—

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

Directors' share options

	At 1 April 2019	Granted during the year	Lapsed during the year	Exercised during the year	**At 31 March 2020**	Option price	Date of grant	Earliest exercise date	Expiry date
William Rhodes	2,130,406	—	—	—	**2,130,406**	15.3p	04/07/13	04/07/14	04/07/23
Kieron Harbinson	300,000*	—	—	—	**300,000**	14.5p	05/07/12	05/07/15	05/07/22
	640,000**	—	—	—	**640,000**	30.5p	25/02/14	25/02/17	25/02/24
	—	750,000***	—	—	**750,000**	15.4p	23/01/20	23/01/22	23/01/30
Jag Grewal	100,000	—	—	—	**100,000**	13.3p	12/08/11	12/08/12	12/08/21
	200,000*	—	—	—	**200,000**	14.5p	05/07/12	05/07/15	05/07/22
	610,000**	—	—	—	**610,000**	30.5p	25/02/14	25/02/17	25/02/24
	—	500,000***	—	—	**500,000**	15.4p	23/01/20	23/01/22	23/01/30
Colin King	1,200,000**	—	—	—	**1,200,000**	13.0p	29/09/15	29/09/18	29/09/25
	—	950,000***	—	—	**950,000**	15.4p	23/01/20	23/01/22	23/01/30
Jeremy Millard	—	500,000	—	—	**500,000**	10.0p	02/12/19	02/12/20	02/12/29

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

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

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

*** Indicates the options have a vesting period of two years (due to a two-year service condition) and can be exercised if the market price of a share has been at 30 pence or higher on at least one occasion at any time on or after the second anniversary of the date of grant.

The options granted to William Rhodes and Jeremy Millard were awarded under the Company's Third Unapproved Option Scheme. One third of the options vest one year after grant, another third vests two years after grant and the final third vests three years after grant.

The share price at 31 March 2020 was 7.625 pence. The highest and lowest share prices during the year were 16.15 pence and 6.75 pence respectively.

Approved by the Board

William Rhodes
Interim Non-executive Chairman
13 July 2020

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2020.

Principal activities

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

Results and dividends

The result for the year is a loss of £6,828,312 (2019: profit of £974,253), which has been taken to reserves. The Directors do not propose to pay a dividend. The results are disclosed in more detail in the Strategic Report on pages 1 to 14.

The Company loss for the year ended 31 March 2020 is £7,651,327 (2019: profit of £1,676).

Future development

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

Research and development

Details of research and development activity are contained in the Financial Review on pages 12 to 14. Costs in the year amounted to £2,100,320 (2019: £2,600,061). Costs of £37,631 in relation to research activities (2019: £150,060) were expensed through the statement of comprehensive income and costs of £2,062,689 in relation to product development (2019: £2,450,001) were capitalised and included within intangible assets as detailed in Note 7.

Directors

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

– Kieron Harbinson;

– Jag Grewal;

– William Rhodes;

– Colin King; and

– Jeremy Millard (appointed 1 March 2019).

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

Directors' interests

The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report on pages 20 and 21. There are no non-beneficial interests held by Directors. On 10 October 2019, the following Directors each purchased ordinary shares of 4 pence each in the capital of the Company at a price of 10 pence per ordinary share. Each Director's number of shares purchased and his total holding following the purchase are shown in the table below:

Shares purchased on 10 October 2019	Number of shares purchased	**Number of shares held at 31 March 2020**
Kieron Harbinson	75,000	**681,617**
Jag Grewal	60,000	**213,246**
Colin King	300,000	**768,253**
William Rhodes	—	**—**
Jeremy Millard	500,000	**500,000**

Employees

The Group values communication with its employees and provides a framework where all employees can contribute to the business through effective management and leadership. Employees receive regular feedback on the Group's activities and all staff are encouraged to participate in the annual employee survey which provides useful feedback on how best employees' ideas can be fed back to management.

Disabled employees

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.

Section 172 statement

In accordance with the Companies Act 2006, a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term;

b. the interests of the company's employees;

c. the need to foster the company's business relationships with suppliers, customers and others;

d. the impact of the company's operations on the community and the environment;

e. the desirability of the company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly between members of the company.

The Board of Directors considers that, collectively and individually, it has acted in good faith and in ways that are most likely to promote success for the Company and Group during the year ended 31 March 2020, and that it continues to exercise judgement and make decisions that comply with the Companies Act 2006. The Board reviews and approves an annual budget that includes investment decisions which can impact the long-term future of the Group. The Board has regard to likely return on investment when projects compete for scarce resources and has decided that opportunities for developing lateral flow rapid tests that complement VISITECT® CD4 offer a better opportunity than continuing to develop the allergy range of products beyond the 69 allergens currently CE marked.

When communicating our longer-term strategy throughout the Group, we always classify our employees as our greatest asset. We undertake staff appraisals twice a year and we have implemented management training programmes that offer long-term opportunities for staff. We also undertake industry surveys to ensure our remuneration and incentivisation packages for all employees are benchmarked against a selection of peer group companies within the diagnostics industry to ensure we remain competitive.

The Board ensures that the Group maintains regular contact with suppliers, with Group procurement being the responsibility of a Group Strategic Sourcing Director. We plan our forward requirement for critical raw materials, based on our business forecasts, and share this information with suppliers. We frequently place "call-off" purchase orders for longer periods of time which provides good visibility for the supplier and increases the chance of on-time deliveries for our business.

Communication with customers is maintained on a frequent basis under the responsibility of the Commercial Director, who is supported by a team of Regional Sales Managers. The Group has customers in over 75 countries throughout the world and is able to meet with customers through attendance at major industry trade shows throughout the year. By attending these shows, which are geographically spread, the Group meets with a majority of its customers on a revolving annual basis. Complaints from customers are carefully monitored and recorded through a quality management system that seeks to provide a quick resolution to any issue.

The Board recognises the benefits of fostering relations with the local community and has been involved in various aspects of the Scottish government's Developing the Young Workforce (DYW) scheme. This has involved delivering career presentations at local schools, delivering options and choices talks to pupils, giving pupils the opportunity to participate in mock interviews and taking part in STEM events. We have also taken part in a Foundation Apprenticeship scheme for a student transitioning to university.

The Board recognises the importance of acting responsibly and following high standards of business conduct. As an export Group that deals with many countries around the world, our induction procedure for all new employees ensures that people are aware of the Group's anti-bribery policy. The induction process also ensures employees are aware of all our other policies that underpin our business ethics. The Group's core values lie at the heart of what we do and these core values are highly visual throughout the Group's sites.

The Board regards all shareholders as being equal and aims to treat them all fairly. This recognises the different regions in which shareholders live and the different media and technology platforms used by shareholders. Where shareholders make contact with the Company, the Board endeavours to respond to all shareholders where it can, whilst remaining compliant with regulations. The Group also retains the services of a PR adviser that is happy to engage with all shareholders.

Treasury policy and financial risk management

The Group continues to generate revenues and cash flows through its subsidiary undertakings. The financial risk management objectives, policies and processes of the Group and details of its financial instruments are detailed in Note 2 and Note 20. The Strategic Report contains details of the Group's system of internal control.

Auditors

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

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 15. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

– to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and

– each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Major interests in shares

As at 29 June 2020 the following shareholders held more than 3% of the Group's issued ordinary share capital:

	Number of 4 pence ordinary shares	Percentage
Richard Sneller	21,101,222	13.34%
Legal & General Investment Management	11,658,271	7.74%
Hargreaves Lansdown Stockbrokers	7,662,507	5.09%
David Evans	5,654,745	3.76%
Redmayne Bentley Stockbrokers	4,568,583	3.03%

No significant changes have occurred since 29 June 2020.

By order of the Board

Kieron Harbinson
Company Secretary
13 July 2020

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

The Directors are required to prepare Group and Company financial statements for each financial year end. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Group and Company financial statements, the Directors are required to:

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

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

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

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

– make judgements and estimates that are reasonable; and

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

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

Opinion

In our opinion:

- Omega Diagnostics Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Group	Parent company
Consolidated balance sheet as at 31 March 2020	Balance sheet as at 31 March 2020
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 22 to the financial statements including a summary of significant accounting policies
Related notes 1 to 22 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Overview of our audit approach

Key audit matters	– Management's consideration of going concern – Risk of inappropriate revenue recognition – Risk of inappropriate capitalisation of R&D spend – Risk of impairment of capitalised development costs
Audit scope	– We performed an audit of the complete financial information of 2 components and audit procedures on specific balances for a further 1 component. – The components where we performed full or specific audit procedures accounted for 93% of Gross Margin, 96% of Revenue and 99% of Total assets.
Materiality	– Overall group materiality of £94k which represents 1.5% of Gross Margin.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Management's consideration of going concern *Refer to Note 2 of the Consolidated Financial Statements (page 39)* As a medical diagnostic company engaged in research and development, the Group incurs significant expenditure in advance of generating commercial revenues. Management of cash resources is therefore critical to the continued operations of the business, as a result we consider management's going concern assessment and associated forecasts, particularly in light of COVID-19, to be a key area of audit focus.	In assessing management's consideration of the potential impact of going concern and COVID-19, we have undertaken the following audit procedures: – We obtained from management their latest financial models that support the Company's assessment and conclusions with respect to the statement of going concern. – We performed procedures to ensure the mechanical accuracy of the models and resulting forecasts. – We discussed with management the critical estimates and judgements applied in their latest financial models so we could understand and challenge the rationale for the factors incorporated into the models and assessed the impact of COVID-19 on the forecasts and conclusion. – We inspected the financial models provided to assess their consistency with our understanding of the operations of the Group. We also agreed any key amendments, estimates and judgements to underlying supporting information and fact patterns as appropriate. – We have considered and challenged their ability to implement mitigating actions identified by management, as part of their sensitivity analysis. – We challenged Company's financial models through reverse stress testing to ensure that the Company had adopted a balanced range of assumptions and outcomes in their assessment of Going Concern. This included review of board minutes, relevant market data and post year end results, for any indicators that contradicted assumptions and conclusions made. – We reviewed the FY21 Q1 performance and compared this to the comparable period in FY20 to understand the impact of COVID-19 on post year-end performance, to challenge the impact on the Company's going concern assessment and forecasts. – We considered the outcome of the company's post year end fundraising activities, including validating the existence and certainty of the related cash inflows such that they could be relied upon for purposes of their going concern assessment. We performed full scope audit procedures over this risk area, which covered 100% of the risk.	We communicated to the Audit Committee that: We consider the disclosures made by the Company in Note 2 of the Consolidated Financial Statements, in respect to going concern to be appropriate. Based on our procedures, we have not identified any matters to report with respect to the company's considerations of the impact of COVID-19 on their assessment of going concern.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition (£9.8m, PY comparative £9.8m) *Refer to the Accounting policies (page 42); and Note 6 of the Consolidated Financial Statements (page 48)* ISAs (UK) require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks. We have specifically focused this risk to whether sales around the period end are valid with higher risk in the area of recording revenue for sales/shipments that either did not occur, or did not occur at the level recorded by management, or for which the risks and rewards have not passed to the customer. Pressures to meet stakeholder expectations could provide incentives to record revenues where risk and reward have not passed.	Our audit response consisted of several procedures including those summarised below: – Perform walkthroughs of the revenue cycle at significant components to gain an understanding of when the revenue should be recognised, to map out the relevant controls end to end and the processes in place. We have assessed the design and implementation of these controls. – Perform monthly analytical reviews to identify any unusual sales trends as well as computer assisted data analytics techniques to focus our testing on any unusual revenue transactions. – Interview a selection of key sales personnel to determine the existence of any side agreements or unusual arrangements which may impact when revenue can be recognised. – Perform substantive testing procedures including detailed transaction testing around the period end to ensure revenue had been recognised in the correct period and that transfer of risks and rewards of ownership were appropriately accounted for. – Review post year end credit notes to ensure revenue recognised pre- year end was not reversed post year-end. – Review all debit postings to revenue in the final quarter of FY20 to ensure these reversals were not subsequently recognised post year-end. We performed full scope audit procedures over this risk area for one component, which covered 96% of the risk amount.	Based on our audit procedures performed we have concluded that revenue is recognised appropriately in all material respects.
Risk of inappropriate capitalisation of Research and Development (R&D) spend (£2.1m, PY comparative £2.5m) *Refer to the Accounting policies (page 40); and Note 7 of the Consolidated Financial Statements (page 52)* The Group continues to invest in its development programs and has significant expenditure which is capitalised on the balance sheet rather than expensed through the income statement as incurred on the basis of meeting the recognition requirement of IAS 38. The application of the recognition criteria under IAS 38, the assessment of the effectiveness of the expenditure and the percentage level of internal labour costs to be capitalised are all highly judgmental and open to management override, providing opportunity to distort income statement performance.	Our audit response consisted of several procedures including those summarised below: – Review and update our understanding of the development projects being undertaken by the Group through interviews with the Research and Development director, online and media research and discussions with key management. – Enquires of non-finance staff, including research scientists who are actively involved in the research and development activities of the group as appropriate to support our understanding of the Group's developments projects and key assumptions taken by management. – Challenge key assumptions made by management in their application of IAS 38 recognition criteria to determine whether or not costs capitalised meet the requirements of the standard. – Detailed sample testing of additions to supporting documentation to confirm that the types of costs capitalised are appropriate and consistent with IAS 38. – Review for any ineffective spend, by interviews and discussions with lead scientists/engineers surrounding project progress and any issues encountered to date, and through the review of board meeting minutes. – Assess the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area one component, which covered 100% of the risk amount.	Based on the audit procedures performed we have concluded that there have been no issues of inappropriate capitalisation of R&D.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of impairment of capitalised development costs (£5.9m, PY comparative £11.6m) *Refer to the Accounting policies (page 40); and Note 7 of the Consolidated Financial Statements (page 52)* The Group has significant intangible assets as a result of capitalised development spend arising from products in development. For the products in development, the main judgments relate to achieving successful trial results and obtaining required clinical and regulatory approvals. The risk is that there may be errors in these judgments. Assessment of the recoverability of the assets is based on forecasting and discounting future cash flows, which are inherently highly judgmental. The risk has decreased in the current year due to the progression of the development projects and the impairment of intangibles related to the Allergy business.	Our audit response consisted of several procedures including those summarised below: – Having considered the impairment in the year for the Allergy business, we reviewed the carrying value of the remaining assets, by evaluating the Group's assumptions used in assessing the recoverability of intangible assets, in particular, revenue and cash flow projections, the probability of obtaining regulatory approval and the weighted average cost of capital. – Perform sensitivity analyses over individual intangible asset models, to assess the level of sensitivity to key assumptions, and focused our work in those areas. – Assess the reasonableness of the Group's assumptions regarding the probability of obtaining regulatory approval through consideration of the current phase of development and comparison to industry practice. – Interview key R&D personnel to corroborate the assumptions used. – Evaluate appropriateness of the discount rate applied, with the assistance of EY valuations specialists. – Challenge management's key assumptions regarding the size of the market and the product's projected share of this market through comparison to external scientific literature, market data and speaking with external stakeholders. – Challenge internally generated evidence by reviewing analyst forecasts, and retrospective assessment of the accuracy of the Group's projections. As well as, existence of any contradictory evidence, through the review of board minutes, relevant market data and post year end results. – Assess the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area for one component, which covered 100% of the risk amount.	Based on the audit procedures performed we have concluded that the assumptions made by management are reasonable and no impairment issues have been identified after considering the impairment recognised on the allergy asset in the year.

An overview of the scope of our audit

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 3 reporting components of the Group, we selected 2 components covering entities which represent the principal business units within the Group.

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

The reporting components where we performed audit procedures accounted for 93% (2019: 90%) of the Group's Margin, 96% (2019: 84%) of the Group's Revenue and 99% (2019: 84%) of the Group's Total assets. For the current year, the full scope components contributed 93% (2019: 92%) of the Group's Gross Margin, 93% (2019: 90%) of the Group's Revenue and 99% (2019: 84%) of the Group's Total assets.

Of the remaining 1 component that represents 4% of the Group's Gross Margin, we performed other procedures, including analytical review, testing of consolidation journals, foreign currency translation recalculations and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

An overview of the scope of our audit continued

Tailoring the scope continued

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

Gross Margin

93% Full scope components

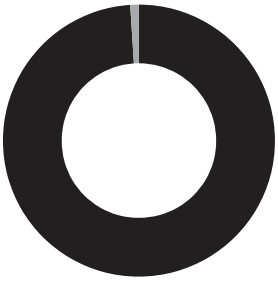
7% Other procedures

Revenue

96% Full scope components

4% Other procedures

Total assets



99% Full scope components

1% Other procedures

Changes from the prior year

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

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £94k (2019: £92k), which is 1.5% of Gross Margin (2019: 1.5% of Gross Margin).

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

We determined materiality for the Parent Company to be £258k (2019: £411k), which is 2% (2019: 2%) of total equity.

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

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

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be 75% (2019: 75%) of our planning materiality, namely £71k (2019: £69k). We have set performance materiality at this percentage due to various considerations including the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the internal control environment and other factors affecting the entity and its financial reporting.

Audit work at components for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £53k to £64k (2019: £52k to £62k).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £4.7k (2019: £4.6k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

Other information continued

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

– the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

Matters on which we are required to report by exception

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

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

– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

– the Parent Company financial statements are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

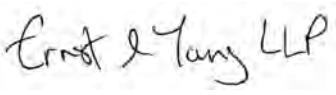
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Paul Copland (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
13 July 2020

Notes:

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	Note	2020 Continuing operations £	2020 Discontinued operations £	2020 Total £	2019 Continuing operations £	2019 Discontinued operations £	2019 Total £
Continuing operations							
Revenue	6	**9,818,662**	**—**	**9,818,662**	8,756,756	1,002,563	9,759,319
Cost of sales		**(3,524,689)**	**—**	**(3,524,689)**	(3,124,427)	(471,468)	(3,595,895)
Gross profit		**6,293,973**	**—**	**6,293,973**	5,632,329	531,095	6,163,424
Administration costs		**(5,374,849)**	**—**	**(5,374,849)**	(4,695,486)	(445,550)	(5,141,036)
Selling and marketing costs		**(1,490,283)**	**—**	**(1,490,283)**	(1,532,980)	(195,295)	(1,728,275)
Other income		**257,930**	**—**	**257,930**	324,794	—	324,794
Operating loss before exceptional items	6	**(313,229)**	**—**	**(313,229)**	(271,343)	(109,750)	(381,093)
Exceptional items	6	**(7,732,532)**	**—**	**(7,732,532)**	—	1,660,683	1,660,683
Operating (loss)/profit after exceptional items		**(8,045,761)**	**—**	**(8,045,761)**	(271,343)	1,550,933	1,279,590
Finance costs	4	**(251,807)**	**—**	**(251,807)**	(97,085)	—	(97,085)
Finance income – interest receivable		**—**	**—**	**—**	11	—	11
(Loss)/profit before taxation	5	**(8,297,568)**	**—**	**(8,297,568)**	(368,417)	1,550,933	1,182,516
Tax credit/(charge)		**75**	**—**	**75**	28,891	(237,154)	(208,263)
Tax credit – exceptional item	5	**1,469,181**	**—**	**1,469,181**	—	—	—
(Loss)/profit for the year		**(6,828,312)**	**—**	**(6,828,312)**	(339,526)	1,313,779	974,253
Other comprehensive income to be reclassified to profit and loss in subsequent periods							
Exchange differences on translation of foreign operations		**(29,862)**	**—**	**(29,862)**	20,568	(2,331)	18,237
Recycling of translation revenue on foreign operations		**(78,493)**	**—**	**(78,493)**	—	41,886	41,886
Tax credit/(charge)		**8,724**	**—**	**8,724**	(91)	—	(91)
Other comprehensive income for the year		**(99,631)**	**—**	**(99,631)**	20,477	39,555	60,032
Total comprehensive income for the year		**(6,927,943)**	**—**	**(6,927,943)**	(319,049)	1,353,334	1,034,285
Earnings per share (EPS)							
Basic and diluted EPS on profit for the year	19	**(4.9p)**	**—**	**(4.9p)**	(0.3p)	1.0p	0.8p

ADJUSTED LOSS BEFORE TAXATION

for the year ended 31 March 2020

This is not a primary statement and the reported numbers are non-GAAP measures.

	Note	2020 Continuing operations £	2020 Discontinued operations £	2020 Total £	2019 Continuing operations £	2019 Discontinued operations £	2019 Total £
(Loss)/profit before taxation		**(8,297,568)**	**—**	**(8,297,568)**	(368,417)	1,550,933	1,182,516
Exceptional items		**7,732,532**	**—**	**7,732,532**	—	(1,660,683)	(1,660,683)
Amortisation of intangible assets		**115,271**	**—**	**115,271**	116,156	24,573	140,729
Share-based payment charges		**54,092**	**—**	**54,092**	34,201	—	34,201
Adjusted loss before taxation		**(395,673)**	**—**	**(395,673)**	(218,060)	(85,177)	(303,237)
Earnings per share (EPS)							
Adjusted EPS on loss for the year	19	**(0.2p)**	**—**	**(0.2p)**	(0.1p)	(0.1p)	(0.2p)

Adjusted profit before taxation is derived by taking statutory profit before taxation and adding back exceptional items, amortisation of intangible assets and share-based payment charges.

CONSOLIDATED BALANCE SHEET

as at 31 March 2020

	Note	2020 £	2019 £
ASSETS			
Non-current assets			
Intangibles	7	**9,676,669**	17,044,293
Property, plant and equipment	8	**1,432,042**	1,569,581
Right of use assets	8	**1,731,827**	—
Deferred taxation	13	**1,538,443**	1,371,260
Total non-current assets		**14,378,981**	19,985,134
Current assets			
Inventories	9	**1,169,115**	1,000,700
Trade and other receivables	10	**3,287,702**	2,489,389
Cash and cash equivalents		**—**	—
Total current assets		**4,456,817**	3,490,089
Total assets		**18,835,798**	23,475,223
EQUITY AND LIABILITIES			
Equity			
Issued capital		**22,010,384**	19,797,343
Retained earnings		**(8,364,109)**	(1,677,106)
Other reserves		**(37,950)**	70,405
Total equity		**13,608,325**	18,190,642
Liabilities			
Non-current liabilities			
Long-term borrowings	11	**131,487**	78,478
Lease liabilities	8	**1,703,570**	—
Deferred taxation	13	**898,734**	2,036,593
Deferred income	12	**155,495**	864,255
Total non-current liabilities		**2,889,286**	2,979,326
Current liabilities			
Short-term borrowings	11	**85,678**	98,574
Lease liabilities	8	**87,018**	—
Bank overdraft		**565,166**	744,708
Trade and other payables	12	**1,600,325**	1,461,973
Total current liabilities		**2,338,187**	2,305,255
Total liabilities		**5,227,473**	5,284,581
Total equity and liabilities		**18,835,798**	23,475,223

William Rhodes
Interim Non-executive Chairman
13 July 2020

Kieron Harbinson
Group Finance Director
13 July 2020

Omega Diagnostics Group PLC
Registered number: 5017761

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Issued capital £	Retained earnings £	Translation reserve £	Total £
Balance at 31 March 2018	19,797,343	(2,685,469)	10,282	17,122,156
Profit for the year ended 31 March 2019	—	974,253	—	974,253
Other comprehensive income – net exchange adjustments	—	—	18,237	18,237
Other comprehensive income – net exchange adjustments recycled	—	—	41,886	41,886
Other comprehensive income – tax charge	—	(91)	—	(91)
Total comprehensive income for the year	—	974,162	60,123	1,034,285
Share-based payments	—	34,201	—	34,201
Balance at 31 March 2019	19,797,343	(1,677,106)	70,405	18,190,642
Issue of share capital for cash consideration	2,343,395	—	—	2,343,395
Expenses in connection with share issue	(130,354)	—	—	(130,354)
Loss for year ended 31 March 2020	—	(6,828,312)	—	(6,828,312)
Other comprehensive income – net exchange adjustments	—	—	(29,862)	(29,862)
Other comprehensive income – net exchange adjustments recycled	—	78,493	(78,493)	—
Other comprehensive income – tax charge	—	8,724	—	8,724
Total comprehensive income for the year	—	(6,741,095)	(108,355)	(6,849,450)
Share-based payments	—	54,092	—	54,092
Balance at 31 March 2020	**22,010,384**	**(8,364,109)**	**(37,950)**	**13,608,325**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2020

	Note	2020 £	2019 £
Cash flows generated from operations			
(Loss)/profit for the year		**(6,828,312)**	974,253
Adjustments for:			
Exceptional item – impairment		**7,732,532**	—
Taxation		**(75)**	208,263
Taxation – exceptional item		**(1,469,181)**	—
Finance costs	4	**251,807**	97,085
Finance income		**—**	(11)
Operating (loss)/profit before working capital movement		**(313,229)**	1,279,590
(Increase)/decrease in trade and other receivables		**(798,313)**	620,454
(Increase)/decrease in inventories		**(168,415)**	196,438
Increase/(decrease) in trade and other payables		**138,351**	(1,078,437)
Gain on sale of property, plant and equipment		**3,672**	—
Net liabilities written off		**—**	(758,875)
Gain on sale of Infectious disease division		**—**	(901,808)
Depreciation	6	**473,185**	332,461
Amortisation of intangible assets	7	**678,939**	140,729
Movement in grants		**306,391**	382,234
Share-based payments		**54,092**	34,201
Taxation received		**172,934**	121,832
Cash flow from operating activities		**547,607**	368,819
Investing activities			
Finance income		**—**	11
Proceeds from the sale of the Infectious disease division		**—**	1,800,000
Purchase of property, plant and equipment	8	**(201,584)**	(339,817)
Purchase of intangible assets		**(1,952,259)**	(2,354,659)
Net cash used in investing activities		**(2,153,843)**	(894,465)
Financing activities			
Finance costs	4	**(251,807)**	(97,085)
Proceeds from issue of share capital		**2,343,395**	—
Expenses in connection with share issue		**(130,353)**	—
New sale and finance leasebacks		**—**	40,500
New leases		**150,000**	—
(Repayment)/drawdown of overdraft facility		**(179,542)**	744,708
Lease repayments		**(295,643)**	(153,153)
Net cash from financing activities		**1,636,050**	534,970
Net increase in cash and cash equivalents		**29,814**	9,324
Effects of exchange rate movements		**(29,814)**	(125,043)
Cash and cash equivalents at beginning of year		**—**	115,719
Cash and cash equivalents at end of year		**—**	—

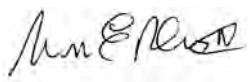
COMPANY BALANCE SHEET

as at 31 March 2020

	Note	2020 £	2019 £
ASSETS			
Non-current assets			
Investments	18	**3,641,948**	10,002,102
Intangibles	7	**31,055**	1,531,786
Deferred tax		**299,904**	—
Intercompany receivables		**7,937,068**	5,879,689
Total non-current assets		**11,909,975**	17,413,577
Current assets			
Trade and other receivables	10	**36,352**	26,597
Total current assets		**36,352**	26,597
Total assets		**11,946,327**	17,440,174
EQUITY AND LIABILITIES			
Equity			
Issued capital		**23,000,059**	20,787,018
Retained earnings		**(12,168,972)**	(4,571,737)
Total equity		**10,831,087**	16,215,281
Liabilities			
Current liabilities			
Bank overdraft		**889,511**	1,051,546
Trade and other payables	12	**225,729**	173,347
Total current liabilities		**1,115,240**	1,224,893
Total liabilities		**1,115,240**	1,224,893
Total equity and liabilities		**11,946,327**	17,440,174

As permitted by section 408 of the Companies Act 2006, no separate statement of profit or loss account is presented for the Company.

The Company loss in the year was £7,651,327 (2019: profit of £1,676).



William Rhodes
Interim Non-executive Chairman
13 July 2020

Kieron Harbinson
Group Finance Director
13 July 2020

Omega Diagnostics Group PLC
Registered number: 5017761

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2018	6,187,574	14,599,444	(4,607,614)	16,179,404
Profit for the year ended 31 March 2019	—	—	1,676	1,676
Total comprehensive income for the year	—	—	1,676	1,676
Share-based payments	—	—	34,201	34,201
Balance at 31 March 2019	6,187,574	14,599,444	(4,571,737)	16,215,281
Issue of share capital for cash consideration	937,118	1,406,277	—	2,343,395
Expenses in connection with share issue	—	(130,354)	—	(130,354)
Loss for the year ended 31 March 2020	—	—	(7,651,327)	(7,651,327)
Total comprehensive income for the year	7,124,692	15,875,367	(12,223,064)	10,776,995
Share-based payments	—	—	54,092	54,092
Balance at 31 March 2020	**7,124,692**	**15,875,367**	**(12,168,972)**	**10,831,087**

COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2020

	2020 £	2019 £
Cash flows generated from operations		
(Loss)/profit for the year	**(7,651,327)**	1,676
Adjustments for:		
Impairment of intangible assets	**1,500,731**	—
Write down of investment in subsidiaries	**6,360,154**	—
Taxation	**(299,904)**	—
Finance costs	**90,789**	81,954
Finance income	**—**	—
Operating profit before working capital movement	**443**	83,630
(Increase)/decrease in trade and other receivables	**(9,755)**	1,803
Increase/(decrease) in trade and other payables	**52,382**	(29,838)
Share-based payments	**54,092**	34,201
Cash flow from operating activities	**97,162**	89,796
Investing activities		
Finance income	**—**	—
Intercompany financing	**(2,057,380)**	(692,918)
Investment in subsidiaries	**—**	(60,984)
Net cash used in investing activities	**(2,057,380)**	(753,902)
Financing activities		
Finance costs	**(90,789)**	(81,954)
Proceeds from issue of share capital	**2,343,395**	—
Expenses of share issue	**(130,353)**	—
(Repayment)/drawdown of overdraft facility	**(162,035)**	746,060
Net cash from financing activities	**1,960,218**	664,106
Net decrease in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—

1 Authorisation of financial statements

The financial statements of Omega Diagnostics Group PLC (registered number: 5017761; registered office address: One Fleet Place, London EC4M 7WS) for the year ended 31 March 2020 were authorised for issue by the Board of Directors on 13 July 2020, and the balance sheets were signed on the Board's behalf by William Rhodes and Kieron Harbinson. Omega Diagnostics Group PLC is a public limited company incorporated in England. The Company's ordinary shares are traded on AIM.

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently 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

These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the payment of liabilities in the ordinary course of business. The Group realised a loss of £6.83 million for the year ended 31 March 2020 (2019: profit of £0.97 million). As at 31 March 2020, the Group had net current assets of £2.1 million and an overdraft facility of £2.0 million, of which, £1.4 million was undrawn.

On 19 June 2020, the Group announced it was raising additional equity funds through a placing and open offer from existing and new institutional and retail shareholders to raise up to £10.5 million net of expenses. Following the general meeting on 10 July 2020, the Group confirms that the net proceeds raised from this exercise amounted to £10.5 million.

The Directors have also prepared updated forecasts to 30 September 2021 and have undertaken additional sensitivity analysis. This includes a scenario of:

– reducing the Company's revenues from its Food intolerance business to approximately 50% of the anticipated level of revenue for the year ended 31 March 2021 before the COVID-19 pandemic;

– reducing the Company's revenues from its VISITECT® CD4 business to levels supported by contractual arrangements; and

– reducing expected levels of revenue from the new COVID-19 tests to zero.

In preparing these forecasts, the Directors included certain cost mitigation measures that could be taken but did not include the proceeds from any insurance claims that could be applicable under its business interruption policy. As a result of the equity fundraise, the existing overdraft facility, which is set to expire in November 2020, is not envisaged to be required and has not been relied upon in the Group's base case or sensitised forecasts.

The Directors have considered the principal risks and uncertainties the Group faces and other factors impacting the Group's future performance such as the coronavirus pandemic. While the impact of the pandemic in terms of length, severity and disruption to business is not possible to forecast, given the significant new investment into the Company from the placing and open offer, the Directors are comfortable that the Group has sufficient cash runway and can survive unprecedented reductions in revenue for at least the next twelve months.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue to exist for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing its consolidated financial statements.

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.

2 Accounting policies continued

Intangible assets continued

Goodwill continued

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

Other intangible assets

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

Technology assets	–	17 to 20 years
Software	–	5 years
Licences	–	17 to 20 years

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

Research and development costs

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

Property, plant and equipment

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

Leasehold improvements	–	ten years, straight line with no residual value
Plant and machinery	–	three to ten years, straight line with no residual value
Right of use leased assets	–	over the lease term, 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.

Leases

Right of use assets are stated at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease, less accumulated depreciation. Right of use assets comprise the Alva and Ely facilities and a number of photocopy machines bundled under a single lease agreement.

The lease liabilities associated with the right of use assets are measured at the present value of the contractual payments due to the lessor over the lease term with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease.

The effects of the transition to IFRS 16 – Leases is shown in Note 21.

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.

2 Accounting policies continued

Inventories

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

Trade receivables

Trade receivables are recognised by the Group and Company carried at original invoice amount less an allowance for any non-collectable or impaired amounts. The Group uses the IFRS 9 ECL model to measure loss allowances at an amount equal to their lifetime expected credit loss. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable.

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.

Provision for expected credit losses (ECLs) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on analysis of payment receipt days past due for groupings of various customer segments (i.e. by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions are expected to deteriorate over the next year, which could lead to an increased number of defaults in the medical diagnostics sector, the historical rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 20.

Cash and cash equivalents

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

Financial instruments

Under IFRS 9, financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets held by the Group and Company are trade and other receivables and cash.

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

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

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

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

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

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

Any bad debt write offs require senior finance sign-off. The Group finance team reviews debtor balances on a weekly basis and at the balance sheet date. An expected credit loss has been provided amounting to £38,695 relating to one specific customer. With that exception, there have no bad debt write offs over at least the past three financial years and looking forward into the first six months of 2021 no write offs are expected.

2 Accounting policies continued

Financial instruments continued

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

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires; when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Company's investments in subsidiaries

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

Foreign currency translation

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

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

IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

Revenue recognition

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

Grants

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

Low value leases

Rentals applicable to low value 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).

2 Accounting policies continued

Share-based payments continued

Equity-settled transactions continued

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

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

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

Pensions

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

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. The Group seeks to develop relationships with key external decision makers that can influence the global agenda for the markets in which the Group operates. To the extent that future economic benefits are dependent upon inputs and decisions to be taken by third parties, the Group maintains regular dialogue with these parties to ensure it has the most relevant and up-to-date data upon which to base its judgement. The Group reviews its technology assets on a regular basis by undertaking competitor reviews to ensure the relevance of these assets and to increase the likelihood that future economic benefits will continue to ensue. Further analysis of the estimates and judgements is disclosed in Note 7 and the other intangible assets section of Note 2 on page 40.

2 Accounting policies continued

Use of estimates and judgements continued

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 7.

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 2020 will be offset against future profits expected to be generated from the prospects for VISITECT® CD4 and COVID-19 test kits. The carrying value of the deferred tax asset at 31 March 2020 is £1,538,443 (2019: £1,371,260). Further details are contained in Note 13.

Standards adopted for the first time

There is one new standard, IFRS 16 – Leases, effective for annual periods commencing after 1 January 2019. The adoption of this standard, applying the simplified transition approach and no restatement of comparative amounts for the year ended 31 March 2019, has not had a material impact on the Group's financial statements, except as detailed below.

IFRS 16 – Leases came into effect on 1 January 2019 addressing the definition of a lease, and recognition and measurement of leases, and establishing principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases are now accounted for on the balance sheet for lessees. The Directors reviewed the contracts for all property and equipment leases held by the Group to identify any additional lease arrangements that needed to be recognised under IFRS 16. As a result, £1.98 million was recognised as additional tangible assets together with an additional lease liability at 1 April 2019 and the 2019 rental costs of £0.33 million were replaced by a depreciation charge of £0.25 million and interest of £0.15 million. This has had an adverse impact on profit before tax of £0.07 million.

Standards, amendments and interpretations not applied

There are no new standards, amendments to existing standards or interpretations that are effective at 31 March 2020 relevant to the Group.

3 Segment information

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

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

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

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

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

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

3 Segment information continued

Business segment information – continuing operations

2020	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Total £
Statutory presentation					
Revenue	462,169	9,406,977	249,128	—	10,118,274
Inter-segment revenue	(63,491)	(236,113)	(8)	—	(299,612)
Total revenue	398,678	9,170,864	249,120	—	9,818,662
Cost of sales	(92,065)	(2,921,257)	(511,367)	—	(3,524,689)
Gross profit	306,613	6,249,607	(262,247)	—	6,293,973
Operating costs	(675,404)	(2,690,571)	(2,124,568)	(1,116,659)	(6,607,202)
Operating (loss)/profit before exceptional items	(368,791)	3,559,036	(2,386,815)	(1,116,659)	(313,229)
Share-based payment charges	—	—	—	54,092	54,092
Depreciation	8,571	249,657	214,957	—	473,185
Amortisation	433,293	100,802	144,864	—	678,959
EBITDA	**73,073**	**3,909,495**	**(2,026,994)**	**(1,062,567)**	**893,007**
Share-based payment charges	—	—	—	(54,092)	(54,092)
Exceptional items	(7,732,532)	—	—	—	(7,732,532)
Depreciation	(8,571)	(249,657)	(214,957)	—	(473,185)
Amortisation	(433,293)	(100,802)	(144,864)	—	(678,959)
Net finance costs	(72,025)	(15,602)	(73,391)	(90,789)	(251,807)
(Loss)/profit before tax	(8,173,348)	3,543,434	(2,460,206)	(1,207,448)	(8,297,568)
Exceptional items	7,732,532	—	—	—	7,732,532
Share-based payment charges	—	—	—	54,092	54,092
Amortisation	551	100,782	13,938	—	115,271
Adjusted (loss)/profit before tax	**(440,265)**	**3,644,216**	**(2,446,268)**	**(1,153,356)**	**(395,673)**

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

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

3 Segment information continued

Business segment information – continuing operations continued

The segment assets and liabilities are as follows:

2020	Allergy and autoimmune £	Food intolerance £	Infectious disease and Other £	Corporate £	Group £
Segment assets	353,734	9,234,452	7,672,803	36,366	17,297,355
Unallocated assets	—	—	—	—	1,538,443
Total assets	**353,734**	**9,234,452**	**7,672,803**	**36,366**	**18,835,798**
Segment liabilities	461,470	508,075	560,546	225,729	1,755,820
Unallocated liabilities	—	—	—	—	3,471,653
Total liabilities	**461,470**	**508,075**	**560,546**	**225,729**	**5,227,473**

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

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

Information about major customers

One customer within the Food intolerance segment accounts for 12.6% (£1.24 million) of Group revenues.

Geographical information

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

	2020 £	2019 £
Revenues – continuing operations		
UK	**558,431**	608,106
Germany	**—**	—
Rest of Europe	**2,764,400**	2,785,310
North America	**1,766,301**	1,912,781
South/Central America	**406,707**	488,891
India	**722,287**	699,624
Asia and the Far East	**2,629,771**	1,482,321
Africa and the Middle East	**970,765**	779,723
	9,818,662	8,756,756

2020	Intangibles £	Property, plant and equipment £	Inventories £	Trade and other receivables £	Total £
Assets					
UK	9,666,510	3,161,938	1,101,588	3,131,708	17,061,744
India	10,159	1,931	67,527	155,994	235,611
Unallocated assets	—	—	—	—	1,538,443
Total assets	**9,676,669**	**3,163,869**	**1,169,115**	**3,287,702**	**18,835,798**

3 Segment information continued

Geographical information continued

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

	2020 £	2019 £
Liabilities		
UK	**1,220,781**	1,774,492
Germany	**429,897**	429,897
India	**105,142**	121,839
Unallocated liabilities	**3,471,653**	2,958,353
Total liabilities	**5,227,473**	5,284,581
Capital expenditure		
Allergy and autoimmune	**4,440**	113,994
Food intolerance	**192,704**	151,828
Infectious disease and Other	**4,440**	73,995
Total capital expenditure	**201,584**	339,817
Intangible expenditure		
Allergy and autoimmune	**880,542**	982,204
Food intolerance	**420,245**	512,434
Infectious disease and Other	**761,903**	969,014
Total intangible expenditure	**2,062,690**	2,463,652

4 Finance costs

Consolidated	2020 £	2019 £
Interest payable on bank overdraft	**93,271**	86,849
Interest payable on right of use asset lease liabilities	**148,819**	—
Operating and other finance lease interest	**9,717**	10,236
	251,807	97,085

5 Taxation

Consolidated	2020 £	2019 £
(a) Tax credited/(charged) in the income statement		
Current tax – prior year adjustment	**172,934**	121,832
Deferred tax – current year	**1,512,850**	(92,833)
Deferred tax – prior year adjustment	**(216,528)**	(237,262)
	1,469,256	(208,263)

Included in the tax credit for 2020 are both a tax charge relating to ordinary activities and a tax credit relating to exceptional items.

Included in the 2019 numbers above is a charge of £237,154 in relation to the disposal of the legacy Infectious disease business. Apart from the charge above there was no other tax charged or credited on discontinued operations in either 2020 or 2019. The discontinued operations comprised the Allergy business in Germany, the manufacturing operation in India and the legacy Infectious disease business.

(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax on net exchange adjustments – continuing operations	**8,724**	(91)
Total tax credit/(charge)	**8,724**	(91)

5 Taxation continued

Consolidated	2020 £	2019 £
(c) Reconciliation of total tax (credit)/charge		
Factors affecting the tax (credit)/charge for the year:		
(Loss)/profit before tax	**(8,297,567)**	1,182,516
Effective rate of taxation	**19%**	19%
(Loss)/profit before tax multiplied by the effective rate of tax	**(1,576,538)**	224,678
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**19,765**	45,632
Research and development and deferred tax credits	**(110,574)**	(126,571)
Losses in year not recognised (relating to closed German and India operations)	**—**	127,048
Provision released relating to India operation	**(3,107)**	—
Tax underprovided	**5,527**	115,430
Exceptional items (relating to closed German and India operations)	**38,691**	(172,820)
Adjustment due to different overseas tax rate	**16,244**	7,124
Impact of UK rate change on deferred tax	**140,736**	(12,258)
Tax (credit)/charge for the year	**(1,469,256)**	208,263

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

The main UK corporation tax rate reduced from 20% to the current rate of 19% on 1 April 2017. In a provision contained in a resolution enacted by Parliament on 17 March 2020, the reduction in the rate of corporation tax to 17% from 1 April 2020, which received Royal Assent on 15 September 2016, was superseded. Therefore deferred tax has been recognised at 19% when timing differences are expected to reverse.

6 Revenue and expenses

Consolidated – continuing operations	2020 £	2019 £
Revenue and other income		
Revenue – sales of goods	**9,818,662**	8,756,756
Other income	**257,930**	324,794
Finance income	**—**	11
Total revenue and other income	**10,076,592**	9,081,561

Other income relates to grant funding from Scottish Enterprise.

Consolidated – continuing operations	2020 £	2019 £
Operating profit is stated after charging/(crediting):		
Material costs	**2,573,976**	1,828,966
Depreciation including right of use asset depreciation	**473,185**	320,655
Capitalised depreciation	**(110,433)**	(108,993)
Amortisation of intangibles	**678,959**	116,156
Net foreign exchange (gains)/losses	**(41,280)**	11,626
Research costs	**37,631**	23,623
Low value lease rentals	**9,638**	482,567
Share-based payments	**54,092**	34,201
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the annual accounts:	**35,000**	20,000
Local statutory audit of subsidiaries	**70,000**	55,000
Local statutory audit of the parent company	**10,000**	5,000
Fees payable to the Company's auditors for other services:		
Taxation compliance	**12,500**	12,500
Taxation advisory	**5,000**	5,000

Audit fees above relate to total operations.

6 Revenue and expenses continued

Exceptional items summary

	2020		2019	
	Continuing operations £	**Discontinued operations £**	Continuing operations £	Discontinued operations £
Impairment of intangible asset	**(8,747,683)**	**—**	—	—
Credit from government grant deferred income	**1,015,151**	**—**	—	—
Gain on sale of Infectious disease business	**—**	**—**	—	901,808
Omega Diagnostics GmbH closure	**—**	**—**	—	758,875
Total	**(7,732,532)**	**—**	—	1,660,683

As noted above, there is an exceptional cost in the year comprising an impairment charge of intangible assets. This follows the decision to stop all future expenditure on the Allergy development programme. We therefore reassessed our impairment models and concluded that, due to significant adverse changes in underlying assumptions, the recoverable amount of the Allergy assets, comprising a licence fee of £1.48 million and capitalised development costs of £7.25 million, was less than its current carrying value. Accordingly, an impairment charge in accordance with IAS 36 has been recognised to record these assets at their current estimated recoverable amount.

Following confirmation from Scottish Enterprise that the R&D grant awarded in 2016 has been successful in supporting the development of the 69 allergens we have developed to date, and having confirmed that Scottish Enterprise will not seek repayment of £1.4 million drawn down to date, we have recognised a proportionate amount of deferred income, previously on the balance sheet, as exceptional income in the year.

Staff costs

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

Consolidated	**2020 Number**	2019 Number
Operations	**75**	74
Management and administration	**77**	78
Employee numbers	**152**	152

Company	**2020 Number**	2019 Number
Operations	**—**	—
Management and administration	**3**	3
Employee numbers	**3**	3

Their aggregate remuneration comprised:

Consolidated	**2020 £**	2019 £
Wages and salaries	**5,322,228**	6,033,842
Social security costs	**489,926**	620,129
Pension costs	**222,128**	229,403
Share-based payments	**54,092**	34,201
	6,088,374	6,917,575

Company	**2020 £**	2019 £
Wages and salaries	**471,583**	708,000
Social security costs	**57,623**	93,053
Pension costs	**31,917**	33,500
Share-based payments	**19,640**	25,180
	580,763	859,733

6 Revenue and expenses continued

Equity-settled share-based payments

Consolidated and Company

The share-based payment plans are described below.

2007 EMI Option Scheme, Unapproved Option Scheme and 2020 EMI 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 for the 2007 EMI Option Scheme and the Unapproved Option Scheme vest three years after the date of grant. The options for the 2020 EMI Option Scheme vest two years after the date of grant. The rules for these schemes allow for performance criteria to be applied in appropriate cases. Performance criteria include share price hurdles and these are detailed in the Directors' Remuneration Report.

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

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

Second Unapproved Option Scheme (SUOS)

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

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

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

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 and third parties. The exercise price of the option is equal to the market price of the shares on the date of grant. One third of the options vests one year after grant, another third vests two years after grant and the final third vests three years after grant.

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 TUOS scheme, it is commercially beneficial to grant options to certain non-employees who are of importance to the Group in order, for example, to prevent them in engaging with competitors.

Under the EMI schemes, options are granted to recognise and retain committed employees and key talent within the Group for the benefit of the business.

Under the HMRC approved schemes, taxation of any gains (capital gains tax) is the responsibility of the optionee. The unapproved schemes' optionees are not employees of the Company, and therefore any income taxes due on exercise gains are the responsibility of the optionee.

Under the 2007 EMI Option Scheme 305,000 options lapsed during the year and 80,000 were exercised. Under the TUOS 500,000 options were granted at fair value of 10.00 pence per share and 50,000 options were granted at fair value of 15.40 pence per share. Under the 2020 EMI Option Scheme 4,935,000 options were granted at fair value of 15.40 pence per share.

6 Revenue and expenses continued

Equity-settled share-based payments continued

Consolidated and Company continued

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

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at 1 April	**8,920,406**	**20p**	10,998,695	20p
Granted during the year under the 2020 EMI Option	**4,385,000**	**15p**	260,000	12p
Granted during the year under the TUOS	**550,000**	**15p**	—	12p
Exercised during the year	**(80,000)**	**—**	—	—
Lapsed during the year under the EMI Option Scheme	**(305,000)**	**—**	(2,338,289)	—
Outstanding at 31 March 2020	**13,470,406**	**18p**	8,920,406	20p
Exercisable at 31 March 2020	**8,325,406**	**—**	8,660,406	—

The market value of the 80,000 shares exercised was 15.14 pence.

The following table lists the inputs to the model used for the years ended 31 March 2020 and 31 March 2019:

	EMI Option Scheme, 2020 EMI scheme, TUOS and Unapproved Option Schemes	
	2020	2019
Dividend yield	**—**	—
Expected volatility	**49%**	56%
Risk-free interest rate	**5%**	5%
Weighted average remaining contractual life	**5.1 years**	5.1 years
Weighted average share price	**14.85p**	11.95p
Exercise price	**14.85p**	11.95p
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	2020 £	2019 £
Fees	**40,000**	69,152
Emoluments	**523,344**	487,187
	563,344	556,339
Contributions to personal pension	**22,417**	24,000
	585,761	580,339
Members of a defined contribution pension scheme at the year end	**3**	3

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

7 Intangibles

	Goodwill £	Licences/ software £	Technology assets £	Customer relationships £	Development costs £	Total £
Cost						
At 31 March 2018	3,349,878	1,622,786	1,974,994	100,003	9,186,215	16,233,876
Additions	—	13,651	—	—	—	13,651
Additions – internally generated	—	—	—	—	2,450,001	2,450,001
Currency translation	—	225	—	—	—	225
Disposals	(332,986)	—	—	—	—	(332,986)
At 31 March 2019	3,016,892	1,636,662	1,974,994	100,003	11,636,216	18,364,767
Additions	—	—	—	—	—	—
Additions – internally generated	—	—	—	—	2,062,690	2,062,690
Currency translation	—	(233)	—	—	—	(233)
Disposals	—	(3,672)	—	—	—	(3,672)
At 31 March 2020	**3,016,892**	**1,632,757**	**1,974,994**	**100,003**	**13,698,906**	**20,423,552**
Accumulated amortisation						
At 31 March 2018	—	59,325	1,045,100	100,003	—	1,204,428
Amortisation charge in the year	—	17,264	98,748	24,717	—	140,729
Currency translation	—	34	—	(24,717)	—	(24,683)
At 31 March 2019	—	76,623	1,143,848	100,003	—	1,320,474
Amortisation charge in the year	—	16,523	98,748	—	563,668	678,939
Impairment charge	—	1,484,663	—	—	7,263,020	8,747,683
Currency translation	—	(213)	—	—	—	(213)
At 31 March 2020	**—**	**1,577,596**	**1,242,596**	**100,003**	**7,826,688**	**10,746,883**
Net book value						
At 31 March 2020	**3,016,892**	**55,161**	**732,398**	**—**	**5,872,218**	**9,676,669**
At 31 March 2019	3,016,892	1,560,039	831,146	—	11,636,216	17,044,293
At 31 March 2018	3,349,878	1,563,461	929,894	—	9,186,215	15,029,448

The net book value of goodwill at 31 March 2020 of £3,016,892 all relates to the Food intolerance segment.

Of the development costs balance above of £5,872,218 (2019: £11,636,216), costs of £4,430,086 (2019: £3,815,177) relate to the VISITECT® CD4 project, costs of £nil (2019: £6,854,165) relate to the Allergy project and costs of £1,442,132 (2019: £966,874) relate to Food intolerance projects. Updates on the status of the development projects are detailed in the Strategic Report.

Amortisation of Allergy development cost intangibles commenced on 1 April 2020 over a 17-year period. Amortisation of VISITECT® CD4 development cost intangibles commenced on 1 August 2020 over a 20-year period. Amortisation of intangibles of £678,959 (2019: £140,729) is included within administration costs in the consolidated statement of comprehensive income.

Of the licences/software balance above, £31,055 (2019: £1,531,786) is held on the balance sheet of the Company and relates to CD4 licences.

£110,433 (2019: £108,993) 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 Omega Diagnostics Limited amounts to £3,016,892 (2019: £3,016,892).

The recoverable amount of Omega Diagnostics Limited has been determined based on a value in use calculation using cash flow projections for the years ending 31 March 2021 to 31 March 2025 based on a sales growth rate of 5% and cost inflation of 3% per annum.

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

Infectious disease

In line with IAS 36 a value in use calculation has been prepared to support the VISITECT® CD4 project costs. The recoverable amount for VISITECT® CD4 has been determined based on projections for the years ending 31 March 2021 to 31 March 2025 assuming an increased number of unit sales each year as the product achieves market acceptance and achieves product registration in individual countries.

A growth rate of 10% has been applied to the cost base for CD4. The growth rate used is consistent with management estimates reflecting current market assessments.

The Company also makes assumptions with regard to having sufficient production personnel to cope with increased volumes. The discount rate applied to cash flows is 12.94% (2019: 12.94%) for the Group, which takes account of other risks such as currency risk, geography risk and price risk. The discount rate is the weighted average cost of the pre-tax cost of debt financing and the pre-tax cost of equity financing from a market participant perspective.

7 Intangibles continued

Food intolerance

A similar value in use calculations has been prepared for Foodprint® and Food Detective® products using a revenue growth rate of 5% and cost base growth of 3%.

As a result of our impairment review, there has been no impairment to the carrying value of goodwill or intangibles.

Allergy

As a result of the circumstances detailed below, a total impairment charge of £8.75 million was recorded against the IAS 38 development costs for the Allergy project within intangible assets. This follows the decision to stop all future expenditure on the allergy development programme. We therefore reassessed our impairment models and concluded that, due to significant adverse changes in underlying assumptions, that the recoverable amount of the allergy assets, comprising a licence fee of £1.48 million and capitalised development costs of £7.27 million, was less than its current carrying value. Accordingly, an impairment charge in accordance with IAS 36 has been recognised to record these assets at their current estimated recoverable amount.

Sensitivity analysis

The Group has conducted a sensitivity analysis on each of the impairment tests at 31 March 2020. The Directors believe that any reasonably possible further change in the key assumptions, as detailed above, on which the recoverable amount is based would not cause any of the carrying amounts to exceed the relevant recoverable amount.

8 Property, plant and equipment

Consolidated	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 31 March 2018	838,771	3,610,761	4,449,532
Additions	120,217	219,600	339,817
Disposals	(20,450)	(107,594)	(128,044)
Currency translation	—	(6,522)	(6,522)
At 31 March 2019	938,538	3,716,245	4,654,783
Additions	53,126	148,458	201,584
Disposals	—	—	—
Currency translation	—	(65)	(65)
At 31 March 2020	**991,664**	**3,864,638**	**4,856,302**
Accumulated depreciation			
At 31 March 2018	357,528	2,379,071	2,736,599
Charge in the year	176,707	264,747	441,454
Disposals	(5,059)	(72,602)	(77,661)
Currency translation	—	(15,190)	(15,190)
At 31 March 2019	529,176	2,556,026	3,085,202
Charge in the year	108,738	230,363	339,101
Disposals	—	—	—
Currency translation	—	(43)	(43)
At 31 March 2020	**637,914**	**2,786,346**	**3,424,260**
Net book value			
At 31 March 2020	**353,750**	**1,078,292**	**1,432,042**
At 31 March 2019	409,362	1,160,219	1,569,581
At 31 March 2018	481,243	1,231,690	1,712,933

£110,433 (2019: £108,993) of the annual depreciation charge relates to assets utilised for development activities; therefore, this depreciation has been capitalised and included within intangible assets.

Leases

Right of use assets

Consolidated	Land and property £	Leasehold improvements £	Plant and machinery £	Total £
At 31 March 2019	1,875,367	42,560	58,417	1,976,344
Additions	—	—	—	—
Depreciation	(198,165)	(26,880)	(19,472)	(244,517)
At 31 March 2020	**1,677,202**	**15,680**	**38,945**	**1,731,827**

8 Property, plant and equipment continued

Leases continued

Lease liabilities

Consolidated	Land and property £	Leasehold improvements £	Plant and machinery £	Total £
At 31 March 2019	1,875,367	42,560	58,417	1,976,344
Additions	—	—	—	—
Interest expense	141,215	3,205	4,399	148,819
Lease payments	(266,862)	(45,765)	(21,949)	(334,576)
At 31 March 2020	**1,749,720**	**—**	**40,867**	**1,790,587**

9 Inventories

	2020 £	2019 £
Raw materials	**522,246**	604,158
Work in progress	**481,458**	211,536
Finished goods and goods for resale	**165,411**	185,006
	1,169,115	1,000,700

10 Trade and other receivables

Consolidated	2020 £	2019 £
Trade receivables	**2,932,096**	1,748,495
Less provision for impairment of receivables	**(38,695)**	—
Trade receivables – net	**2,893,401**	1,748,495
Prepayments	**97,334**	176,290
Other receivables	**296,967**	564,604
	3,287,702	2,489,389

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

Company	2020 £	2019 £
Prepayments	**24,258**	10,663
Other receivables	**12,094**	15,934
Due from subsidiary companies	**—**	—
	36,352	26,597

Analysis of trade receivables

Consolidated	2020 £	2019 £
Neither impaired nor past due	**2,196,237**	1,350,554
Past due but not impaired	**697,164**	397,941

Company	2020 £	2019 £
Neither impaired nor past due	**—**	—

Ageing of past due but not impaired trade receivables

	2020 £	2019 £
Up to three months	**624,228**	241,461
Between three and six months	**57,957**	131,800
More than six months	**14,979**	24,680

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

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

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

11 Interest-bearing loans and borrowings and financial instruments

Consolidated	2020 £	2019 £
Current		
Obligations under asset finance loan arrangements	**85,678**	98,574
Bank overdraft	**565,166**	744,708
	650,844	843,282
Non-current		
Obligations under asset finance loan arrangements	**131,487**	78,478
	131,487	78,478

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

The Group uses asset finance loan arrangements, hire purchase contracts and leases to acquire plant and machinery. Future minimum payments are as follows:

	2020 Asset finance and hire purchase £	2020 Right of use £	2019 Asset finance and hire purchase £	2019 Right of use £
Future minimum payments due:				
Not later than one year	**99,032**	**221,846**	105,020	—
After one year but not more than five years	**157,497**	**765,089**	85,795	—
After five years	**—**	**2,147,296**	—	—
	256,529	**3,134,231**	190,815	—
Less finance charges allocated to future periods	**(39,364)**	**(1,343,644)**	(13,763)	—
Present value of minimum principal payments	**217,165**	**1,790,587**	177,052	—
The present value of minimum lease payments is analysed as follows:				—
Not later than one year	**85,678**	**87,018**	98,574	—
After one year but not more than five years	**131,487**	**284,238**	78,478	—
After five years	**—**	**1,419,331**	—	—
	217,165	**1,790,587**	177,052	—

	2020 £	2019 £
Changes in liabilities		
Opening lease, hire purchase and asset finance obligations	**177,052**	882,879
Right of use asset lease liabilities (IFRS 16)	**1,976,344**	—
New asset finance loan arrangements	**150,000**	—
New sale and finance leasebacks	**—**	40,500
GmbH lease written off	**—**	(593,174)
Right of use asset lease repayments	**(185,757)**	—
Hire purchase and asset finance repayments	**(109,887)**	(153,153)
Closing lease, hire purchase and asset finance obligations	**2,007,752**	177,052
Bank overdraft	**565,166**	744,708
	2,572,918	921,760

The Company bankers, the Bank of Scotland, hold a floating charge over the whole assets of the Company. A cross guarantee is also in place between Omega Diagnostics Group PLC and its subsidiaries.

12 Trade and other payables

Consolidated	2020 £	2019 £
Trade payables	**664,818**	548,325
Social security costs	**198,123**	180,688
Accruals and other payables	**737,384**	732,960
	1,600,325	1,461,973

In the current year Scottish Enterprise grant funding (in relation to the Allergy and VISITECT® CD4 development projects) totalling £155,495 (2019: £864,255) was included as deferred income on the consolidated balance sheet.

12 Trade and other payables continued

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.

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

Company	**2020 £**	2019 £
Trade payables	**42,728**	56,035
Accruals and other payables	**183,001**	117,312
Due to subsidiary companies	**—**	—
	225,729	173,347

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.

13 Deferred taxation

The deferred tax asset is made up as follows:

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2020 £	2019 £	**2020 £**	2019 £
Temporary differences	**10,771**	69,863	**(59,325)**	(7,406)
Tax losses carried forward	**1,527,672**	1,301,397	**390,485**	250,508
	1,538,443	1,371,260	**331,160**	243,102
The deferred tax liability is made up as follows:				
Fair value adjustments on acquisition	**138,823**	126,269	**12,554**	(18,760)
Accelerated/(decelerated) capital allowances	**158,027**	201,894	**(44,103)**	35,768
Capitalised research and development	**601,884**	1,708,430	**(1,106,547)**	513,051
Other timing differences	**—**	—	**—**	(78,694)
	898,734	2,036,593	**(1,138,096)**	451,365
Net deferred tax asset/(liability) / P&L tax	**639,709**	(665,333)	**1,469,256**	(208,263)

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

The deferred tax asset at 31 March 2020 will be offset against future profits expected to be generated from sales of VISITECT® CD4 tests, Food intolerance products and COVID-19 test kits. The progress made with the WHO prequalification process and the signing of a supply agreement with CHAI give confidence that CD4 sales and profits will be generated. Sales of food products in India have been growing significantly and the commercial operation returned an excellent profit for the Group in 2020.

The deferred tax liability is made up as follows:

Consolidated	**2020 £**	2019 £
Fair value adjustments on acquisition	**138,823**	126,269
Accelerated capital allowances	**158,027**	201,894
Capitalised research and development	**601,884**	1,708,430
	898,734	2,036,593

14 Share capital

Company	2020 Number	2019 Number
Authorised share capital		
Ordinary shares of 4.0 pence each	**184,769,736**	184,769,736
Deferred shares of 0.9 pence each	**123,245,615**	123,245,615
Issued and fully paid ordinary share capital		
At the beginning of the year	**126,959,060**	126,959,060
Issued during the year	**23,427,950**	—
At the end of the year	**150,387,010**	126,959,060
Issued and fully paid non-participating deferred share capital		
At the beginning and end of the year	**123,245,615**	123,245,615

During the year ended 31 March 2020, the Company granted options over 4,935,000 ordinary shares at an average exercise price of 14.80 pence per share. The options will expire if not exercised within ten years of the date of grant.

15 Commitments and contingencies

Low value rental commitments

Rental instalments payable under non-cancellable low value rental leases are as follows:

Consolidated	2020 £	2019 £
Land and buildings		
Within one year	**—**	571,660
Within two to five years	**—**	3,110,355
After five years	**—**	14,358,135
Other		
Within one year	**8,870**	28,505
Within two to five years	**1,614**	46,794
After five years	**—**	—

In 2020 the impact of IFRS 16 on leases has resulted in lease liabilities for the majority of leases, with the exception of those of low value, being taken on balance sheet.

Future IFRS 16 lease contractual commitments

Omega Diagnostics Limited, in relation to a new facility in Ely, signed an agreement for lease in January 2018. A full 25-year lease will be entered into when the building is complete – the best estimate being October 2020. The total commitment for the lease is £14,875,000.

Other leases are in force for office equipment items and extend to time periods ranging from April 2020 to January 2023. The leases may be extended at the expiry of their terms.

Performance bonds

The Group has performance bonds and guarantees in place amounting to £60,000 at 31 March 2020 (2019: £60,000).

16 Related party transactions

Remuneration of key personnel

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

	2020 £	2019 £
Short-term employee benefits	**1,530,211**	1,522,424
Share-based payments	**37,525**	27,299
Post-employment benefits	**63,937**	63,852
	1,631,673	1,613,575

Included within short-term employee benefits are £40,000 (2019: £40,000) paid to Third Day Advisors LLC, a company controlled by William Rhodes.

Other related party transactions

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

	2020 £	2019 £
Balance at 1 April 2019	**5,879,689**	5,186,771
Charges to subsidiary companies	**1,121,560**	1,385,836
Transfers of cash from/(to) subsidiary companies	**935,820**	(692,918)
Balance at 31 March 2020	**7,937,069**	5,879,689

17 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.

Defined contribution scheme

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.

18 Investments

Company

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

	Country of incorporation	**2020 £**	2019 £
Investment in Omega Diagnostics Limited[1]	UK	**1,752,884**	1,752,884
Investment in Genesis Diagnostics Limited[2]	UK	**—**	1,845,066
Investment in Cambridge Nutritional Sciences Limited[2]	UK	**—**	4,034,110
Investment in Omega (South West) Limited[3]	UK	**—**	480,978
Investment in Bealaw (692) Limited[3]	UK	**1**	1
Investment in Bealaw (693) Limited[3]	UK	**1**	1
Investment in Omega Dx (Asia)[4]	India	**1,889,062**	1,889,062
		3,641,948	10,002,102

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

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

On 31 March 2018, the businesses of Omega (South West) Limited, Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited were transferred to Omega Diagnostics Limited in return for the issuance of loan notes. In September 2019, all loan notes between the above-mentioned companies were waived. The net assets in Omega (South West) Limited, Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited have reduced to zero following the loan note waiver. Accordingly, the investments in these companies by Omega Diagnostics Group PLC have been fully written off.

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

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

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

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

19 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.

	2020 £	2019 £
(Loss)/profit attributable to equity holders of the Group	**(6,828,312)**	974,253

	2020 Number	2019 Number
Basic average number of shares	**140,296,603**	126,959,060
Share options	**45,023**	163,517
Diluted weighted average number of shares	**140,341,626**	127,122,577

Adjusted earnings per share on profit for the year

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

	2020 £	2019 £
Adjusted loss before taxation (page 32)	**(395,673)**	(303,237)
Tax credit	**75**	28,891
Adjusted loss attributable to equity holders of the Group	**(395,598)**	(274,346)

19 Earnings per share continued

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

20 Financial instruments

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

Assets as per the consolidated balance sheet	**Financial assets at amortised cost £**	**Total £**
2020		
Trade receivables	2,893,401	2,893,401
	2,893,401	**2,893,401**

Assets as per the consolidated balance sheet	Financial assets at amortised cost £	Total £
2019		
Trade receivables	1,748,495	1,748,495
	1,748,495	1,748,495

Assets as per the Company balance sheet	**Financial assets at amortised cost £**	**Total £**
2020		
Due from subsidiary companies	7,937,069	7,937,069
	7,937,069	**7,937,069**

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

Liabilities as per the consolidated balance sheet	**Amortised cost £**	**Total £**
2020		
Trade payables	664,818	664,818
Obligations under finance leases including right of use asset leases (IFRS 16)	2,007,752	2,007,752
	2,672,570	**2,672,570**

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

Liabilities as per the Company balance sheet	**Amortised cost £**	**Total £**
2020		
Trade payables and amounts due to subsidiary companies	**42,728**	**42,728**

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

20 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 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 2020 and 31 March 2019 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 other currencies.

	US dollar effect on profit before tax £	Euro effect on profit before tax £	Rupee effect on profit before tax £	Other effect on profit before tax £	Decrease in currency rate	Total effect on profit before tax £	Total effect on equity £
2020							
Trade and other receivables	**60,163**	**36,431**	**8,210**	**—**	**5%**	**104,804**	**—**
Trade and other payables	**(4,795)**	**(1,309)**	**(25,572)**	**(281)**	**5%**	**(31,957)**	**—**
Cash and cash equivalents	**895**	**640**	**2,192**	**—**	**5%**	**3,727**	**—**
2019							
Trade and other receivables	19,900	13,510	9,837	—	5%	43,247	—
Trade and other payables	(2,417)	(460)	(28,224)	—	5%	(31,101)	—
Cash and cash equivalents	125	(2,706)	3,800	—	5%	1,219	—

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:

	2020 Trade receivables £	2019 Trade receivables £
UK/Europe	**619,116**	841,839
North America	**602,893**	275,000
South/Central America	**166,776**	147,171
Asia and the Far East	**1,297,232**	468,622
Africa and the Middle East	**207,384**	15,863
	2,893,401	1,748,495

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.

20 Financial instruments continued

Financial risk management continued

Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2020 based on the undiscounted cash flows of liabilities which include both future interest and principal amounts outstanding based on the earliest date on which the Group can be required to pay. The amounts of future interest are not included in the carrying value of financial liabilities on the balance sheet.

Consolidated	Less than 3 months £	3 to 12 months £	1 to 5 years £	>5 years £	Total £
2020					
Trade payables	664,818	—	—	—	664,818
Obligations under finance	27,720	71,312	157,497	—	256,529
Obligations under right of use asset leases	58,885	162,961	765,089	2,147,296	3,134,231
Bank overdraft	565,166	—	—	—	565,166
	1,316,589	**234,273**	**922,586**	**2,147,296**	**4,620,744**
2019					
Trade payables	548,325	—	—	—	548,325
Obligations under finance leases	22,173	82,847	85,795	—	190,815
Bank overdraft	744,708	—	—	—	744,708
	1,315,206	82,847	85,795	—	1,483,848

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2020 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 £
2020				
Trade payables and amounts due to subsidiary companies	42,728	—	—	42,728
Bank overdraft	889,511	—	—	889,511
	932,239	**—**	**—**	**932,239**
2019				
Trade payables and amounts due to subsidiary companies	56,035	—	—	56,035
Bank overdraft	1,051,546	—	—	1,051,546
	1,107,581	—	—	1,107,581

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 £
2020		
Cash and cash equivalents	**25**	**(1,637)**
2019		
Cash and cash equivalents	25	(786)

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 £
2020		
Cash and cash equivalents	**25**	**(2,426)**
2019		
Cash and cash equivalents	25	(1,696)

20 Financial instruments continued

Fair values

The carrying amount for all categories of financial assets and liabilities disclosed on the balance sheet and in the related notes to the accounts is equal to the fair value of such assets and liabilities as at both 31 March 2020 and 31 March 2019. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the accounts.

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

The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2020 and 31 March 2019 represents the Group's maximum exposure to credit risk.

21 Effects of new accounting policies

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on 1 April 2019, without restatement of comparative figures.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

1. applied a single discount rate to a portfolio of leases with reasonably similar characteristics. The discount rate applied is the weighted average incremental borrowing rate of 7.53%.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right of use assets and lease liabilities for most leases. However, the Group has elected not to recognise right of use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new. Lease payments associated with these are recognised on a straight line basis over the lease term.

The following table reconciles the minimum operating lease commitments disclosed in the Group's 31 March 2019 annual financial statements to the amount of lease liabilities recognised on 1 April 2019:

Consolidated	£
Minimum operating lease commitment at 31 March 2019	18,115,449
Less new Ely facility excluded from right of use liability (not available for use until October 2020)	(14,875,000)
Less effect of discounting using incremental borrowing rate as at the date of the application	(1,486,742)
Add estimated increase in rent costs incorporated in right of use asset lease liabilities	175,054
Add lease contract extensions not included in operating lease commitment at 31 March 2019	72,089
Less low value leases not recognised under IFRS 16	(24,506)
Right of use asset lease liabilities as at 1 April 2019	1,976,344

22 Subsequent events

On 14 May 2020 the Bank of Scotland increased the Company's overdraft facility from £2 million to £3 million with effect from 14 May 2020 for six months to 14 November 2020. The facility will be up for renewal at the normal £2 million level at this time.

Between 5 May 2020 and 4 June 2020, the Company allotted 235,000 new ordinary shares in relation to employees exercising share options.

On 19 June 2020 the Company announced the placing of 20,000,000 new ordinary shares of 40 pence each raising £7.5 million net of expenses. In addition an open offer to subscribe for up to 7,531,100 new ordinary shares at 40 pence each was made on the same date, raising up to £3,012,400 before expense.

These actions will take the total number of shares in issue up to a maximum of 178,153,110.

PLEASE REFER TO THE NOTES BELOW THE RESOLUTIONS, IN PARTICULAR NOTES 1-4 IN RELATION TO THE EFFECT OF COVID-19 RESTRICTIONS ON THE 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 26 August 2020 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 2020.
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. That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £2,375,374.76 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 2021 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Companies Act 2006, but without prejudice to any allotment already made or to be made pursuant to such authority.

Resolution 5 is proposed as a special resolution.

5. That, conditional upon the passing of resolution 4 above, and in accordance with section 570 of the Companies Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 4 as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

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

   5.2 the allotment of equity securities otherwise than pursuant to subparagraph 5.1 above up to an aggregate nominal amount of £356,306.20,

   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 2021, 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
13 July 2020

Registered in England and Wales number: 5017761

www.omegadiagnostics.com

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

Tel: +44 (0)1259 763030

Fax: +44 (0)1259 761853

Effect of COVID-19 on the Annual General Meeting

1. Given the unprecedented global situation with COVID-19, regulators, governments and public health authorities have issued varying directives which impact the structure and timing of the Annual General Meeting. In addition to adhering to the imposed guidance, the Company has imposed further proactive measures to safeguard the health and wellbeing of its workforce, and shareholders. As such, the Annual General Meeting will be held with only the minimum number of shareholders present as required to form a quorum under the Company's Articles of Association, and whom will be officers or employees of the Company. No other person, including shareholders, will be permitted to attend the Annual General Meeting and any person seeking to attend will be refused entry.
2. Voting on the Resolutions will be by way of a poll rather than a show of hands. A poll ensures that the votes of members who are unable to attend the Annual General Meeting, but who have appointed proxies, are taken into account in the final voting results.
3. Given the current restrictions on attendance in person, members are encouraged to appoint the chairman of the meeting as their proxy rather than a named person who will not be permitted to attend the physical meeting. For further information on how to appoint a proxy electronically, please see notes 6 and 7 below.
4. Should members wish to ask any questions which they may have otherwise asked at the General Meeting had they been in attendance regarding the Resolutions, they are encouraged to contact the Company prior to the Annual General Meeting by email to omega@walbrookpr.com.

Entitlement to attend and vote

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 11am on 24 August 2020 shall be entitled to attend and vote at the Meeting.

Appointment of proxies

6. If you are a member of the Company at the time set out in Note 5 above, you are entitled to appoint a proxy to exercise all or any of your rights in respect of the Resolutions 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.
7. A proxy does not need to be a member of the Company but must attend the Meeting to represent you, and it may not be possible for any person who is not the Chairman of the Meeting to attend the Meeting physically (see note 3 above). 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.

We strongly recommend that you appoint the Chairman of the Meeting as your proxy rather than a named person who will not be permitted to attend the physical meeting.

8. You may (though as noted above it is not recommended) 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.
9. 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.
10. 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

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

Issued shares and total voting rights

12. As at the date of this Annual Report the Company's issued voting share capital comprised 178,153,110 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 178,153,110 as at the date of this Annual Report.

Communications with the Company

13. You may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

Voting through CREST

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

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

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

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

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

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

ADVISERS

Nominated adviser and broker
finnCap Limited
60 New Broad Street
London EC2M 1JJ

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

Solicitors
Brodies LLP
15 Atholl Crescent
Edinburgh EH3 8HA

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

Public relations
Walbrook PR Limited
4 Lombard Street
London EC3V 9HD

Country of incorporation
England and Wales

Omega Diagnostics Group PLC
Registered number: 5017761

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Produced by
designportfolio

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

www.omegadiagnostics.com
Tel: +44 (0)1259 763030
Fax: +44 (0)1259 761853