3 August 2023

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

Final Results

Omega (AIM: ODX), the specialist medical diagnostics company focused on industry-leading Health and Nutrition products, announces its audited results for the year ended 31 March 2023, a year which has overseen the final steps of restructuring a business now focused on promoting a personalised and functional approach to health.

Operational highlights

- Completion of the disposal of the CD4 business effective 31 July 2022
- CD4 sale proceeds (excluding royalties) of £5.3 million received in full
- Placing and open offer raised £2.2 million in May/June 2022
- Lower than expected production yields adversely impacted customer deliveries in the final quarter
- Successful yield recovery plan implemented post-year end
- FoodPrint® yields reach a three-year high post-year end
- Major Chinese partner re-commences deliveries
- Launch of MyHealthTracker digital app

Financial highlights

- Despite sales growing by c.80% in the UK, overall revenues decreased by 12% to £7.5m (2022: £8.5m)
- Order intake was up by 71% to £2.4m (2022: £1.4m) over the prior year due to new installations and an increase in educating consumers and driving awareness
- Gross margin decreased to 47.0% (2022: 59.7%)
- Operating loss* (continuing operations) were £3.2m (2022: £0.9m)
- Loss from discontinued Global Health operations of £0.7m (2022: £9.9 million)
- Adjusted EBITDA (continuing operations)** £2.0m (2022: £0.2m)
- Placing and open offer raised £2.2m in May/June 2022
- Cash balance of £5.0m, as at 31 March 2023 (2022: £2.8m, including a cash balance of £1.6m and additionally had an overdraft facility of £2.0m, which was undrawn)

* Stated after aborted relocation costs of £0.5 million
** Adjusted for exceptional items and share-based payment charges, see Financial Review section

Post-period highlights

- FoodPrint® yields reached a three-year high post-year end

Commenting, Simon Douglas, Chairman, Omega Diagnostics said: *"This year has seen the final steps in the withdrawal from the Global Heath business through the divestment of the loss making CD4 business and the full relocation to our Health and Nutrition manufacturing site in Ely, Cambridgeshire. We have started our journey into the U.S. market and entered into two agreements with established testing laboratories which will be installing and validating our core food sensitivity testing product, FoodPrint®.*

The year ahead will be our first full year with the focus on our Health and Nutrition business, where we can finalise our strategic objectives and start to gain momentum and create value for our shareholders. Such a change does bring its challenges, but one that is exciting and will be taken up with renewed vigour by the whole team. A new culture needs to be established, one that will allow us to focus on this core business and make it a success. Part of this change will be a new name, Cambridge Nutritional; Sciences PLC (LON:CNSL) and a resolution to change the name is proposed for the upcoming Annual General Meeting. This new name builds on our existing CNSLab brand and aligns with our goal to improve patient care through a more personalised approach to health and wellbeing."

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About Omega Diagnostics Group PLC
Omega manufactures and distributes high quality in-vitro diagnostic products for use in hospitals, clinics, laboratories and healthcare practitioners in over 70 countries and is now focused on the health and nutrition sector.

www.omegadx.com

Chairman's Statement

Focused on our future

Simon Douglas
Chairman

This has been a positive year where we implemented the final parts of the turnaround strategy outlined last year. A turnaround year where we established a new focus, with new and fresh objectives. It has seen a significant shift in the business which is now a business promoting a personalised and functional approach to health and nutrition. With the COVID-19 business now well behind us and following the divestment of the Alva site last year, we have continued to reshape and restructure the Company as we implement our new strategy. This year has seen the final steps in the withdrawal from the Global Heath business through the divestment of the loss-making CD4 business and the full relocation to our Health and Nutrition manufacturing site in Ely, Cambridgeshire. We have started our journey into the US market and entered into two agreements with established testing laboratories which will be installing and validating our core food sensitivity testing product, FoodPrint®. In addition to the proceeds from the CD4 divestment we also raised further money from a placing and open offer and are well financed to implement the Company's vision of delivering personalised nutrition for better health and to create a valuable Company for our shareholders. The Board will now focus Omega's efforts on its Health and Nutrition business, maintaining its leadership position and targeting significant organic growth over the coming years, through menu expansion, related marketing activities and embracing digital technologies.

Business performance
The year showed a slight downturn in sales at £7.5 million from continuing operations (2022: £8.5 million).

Whilst we had a very strong order book, one of our leading products, the FoodPrint® test, had some production challenges towards the end of the year which resulted in a drop in production yields and, as a consequence, a backlog in the fulfilment of some orders. The Company took swift action to improve operational efficiency and appointed Chartwell Consulting, a global specialist in delivering operational performance improvements in healthcare manufacturing, to work with us to deliver improvements in our production processes and establishing new preventative procedures. We have already seen a very material increase in yield and the improvements will help meet the demand for our food sensitivity tests, which continues to be strong.

The combination of reduced yields and thus increased scrap meant the adjusted EBITDA loss for continuing operations was £2.0 million (2022: adjusted EBITDA profit of £0.2 million). This is not what we had anticipated at the beginning of the year and is hugely disappointing. However the year-end cash position of £5.1 million (2022: £1.6 million) will allow us to deliver against our growth strategy from existing funds.

Some of this growth will come from investment in an expansion into new territories, the most important of which is the USA, a health-conscious, mature personal health and wellbeing market and the largest market for food sensitivity testing globally. This year has seen us gain our first two orders from new testing laboratories in the USA who are now implementing and validating the test in readiness for launch.

Another part of our expansion plan is a new facility, with specialised production and service laboratories. As previously announced, our new, purpose-built facility in Ely, Cambridgeshire, has yet to be delivered by the landlord. The quality of build is not up to the standard that we originally specified so we have not been able to take possession. We have rejected the terms of the landlord's current proposal and we are considering alternative options. Whilst it is admittedly a frustrating position to be in, we have extended the lease for our current building in Littleport to June 2025, which will provide sufficient capacity and allow us time to consider alternative plans.

New products
The Company is now focused on promoting a personalised and functional approach to improving the health and nutrition of our customers. We have two key products, FoodPrint®, a microarray technology used by over 160 laboratories worldwide, and the Food Detective® product, the world's only established point-of-care food specific IgG test which can be used by healthcare practitioners within a clinic setting. These tests are also available through our own testing laboratory, CNSLab which serves healthcare professionals and the consumer directly.

As part of this personalised approach we are extending our menu to support our core food sensitivity testing. This year saw the first steps in this expansion of our current menu of tests as planned and we have been working closely with two strategic partners to develop bespoke microbiome and nutrigenomic test reports. These are planned for launch in the UK shortly and we will roll-out these tests in other key markets in line with our stated strategic targets, as we build a wider menu of complementary gut health tests to sell through our established channels.

By better understanding the relationship between food sensitivity, the gut microbiome, diet and gene expression, healthcare professionals will be able to make specific dietary and lifestyle recommendations that help achieve better health outcomes for patients.

As a Company we are passionate about improving lives around the world by accurately informing health decisions and an important and exciting event towards this goal was the recent successful launch of our new digital "app", MyHealthTracker, strengthening our connection with our customers. This is a health and wellbeing tool designed to be used alongside a trained healthcare professional, allowing the patient to receive test results direct to their smartphone which will help them to make changes to their diet for optimal health. Fully tested and validated during the year it was initially available in the UK in April and will be rolled out to more territories over the next twelve months. This is another step towards our goal of improved patient care through a more personalised approach to health and wellbeing. It will empower people to become more proactive about managing their health straight from their phone.

Strong balance sheet
In June 2022, we were pleased to announce that we raised of £2.2 million (gross) through a placing and open offer of 55,002,776 new ordinary shares of 4.0 pence each and also issued share warrants to subscribe for 90 million ordinary shares to institutional investors at an issue price of 4.0 pence per new ordinary share. These warrants expire on 9 November 2023. Additionally, as the final step to exiting from the Global Health business, the Company disposed of the CD4 business, comprising of the VISITECT® CD4 and VISITECT® CD4 Advanced Disease tests, to Accubio Limited, a wholly owned subsidiary of Zhejiang Orient Gene Biotech Co. Ltd, for a total of £5.3 million. Omega will also receive a royalty of 4% on Accubio's future CD4 revenues for the period to 31 December 2026, capped at £1.0 million in aggregate.

This disposal, together with the capital raise leaves the Group well-funded, with £5.1 million in the bank on 31 March 2023 and solely focused on its Health and Nutrition business.

Board and employees
The Board has continued to be proactive and have now strategically re-aligned the Company to focus on the Health and Nutrition business. We are well financed and will endeavour to maintain our leadership position and to deliver growth in the coming years. Whilst it is disappointing that we have faced some recent production challenges, resulting in a poorer financial performance, the team reacted swiftly in appointing external assistance and are well on our way to solving the issues. Furthermore, in order to align the Executives' interests with our various stakeholders and to incentivise the Executive Directors and certain senior managers to deliver long-term value for shareholders we have introduced a new long-term incentive plan (LTIP).

Finally I would like to thank all of our staff for their commitment and dedication for continuing to deliver both products and services throughout the year. And to our shareholders, both new and old, for their commitment and patience as we re-focus and turnaround the Company.

Post-year end
The Group remains in an ongoing dispute with the Department of Health and Social Care (DHSC) regarding the potential repayment of a pre-production payment of £2.5 million under a contract to manufacture COVID-19 lateral flow tests and has intimated a substantial counterclaim made in favour of the Company. A formal mediation meeting took place in late April 2023, and both parties are now reflecting on their respective positions. The Board remain confident that the Company is in a strong position and that the pre-production payment will not need to be repaid.

Corporate governance
The long-term success of the business and delivery on strategy depends on good governance. The Company complies with the Quoted Companies Alliance Corporate Governance Code 2018 as explained more fully in the Corporate Governance Report.

Outlook and name change
This year has been the first year of turning the Company around, divesting the last part of our previous Global Health business and started the journey as a Health and Nutrition business and on promoting a personalised and functional approach to health and nutrition. The year ahead will be our first full year with this focus and a year where we can finalise our strategic objectives and start to gain momentum and create value for our shareholders. Such a change does bring its challenges, but one that is exciting and will be taken up with renewed vigour by the whole team. A new culture needs to be established, one that will allow us to focus on this core business and make it a success. Part of this change will be a new name, Cambridge Nutritional Sciences PLC (LON:CNSL) and a resolution to change the name is proposed for the upcoming Annual General Meeting. This new name builds on our existing CNSLab brand and aligns with our goal to improve patient care through a more personalised approach to health and wellbeing.

We will be seeing our first sales from the USA and continue to find and engage new testing laboratories to use the FoodPrint® test. We are confident that our manufacturing yields of the FoodPrint® test will be restored, delivering improved margins and lower costs with new preventive processes in place. The current plans for the extension in our menu will be completed and both the new microbiome and nutrigenomic tests will be launched and result in our first sales from these new tests. This will start in the UK and then later in the year be rolled out to other territories in a step wise fashion. Likewise, this year has seen the launch of our new digital "app" the MyHealthTracker, our unique health and wellbeing tool designed to be used alongside a trained healthcare professional. This allows the patient to receive test results direct to their smartphone which will help them to make changes to their diet for optimal health. All these new products launched this year are another step towards our goal of improved patient care through a more personalised approach to health and wellbeing. With £5.1 million of cash at the end of the year we can invest fully in these plans and deliver them on time and build an exciting profitable business for everyone.

Simon Douglas
Chairman
2 August 2023

Chief Executive's Review

Laying a foundation

Jag Grewal
Chief Executive

Highlights

- Completion of the disposal of the CD4 business
- Launch of the MyHealthTracker digital app
- Ongoing development of new microbiome and nutrigenomics products
- FoodPrint® production yields much improved post-year end
- Our leading Chinese customer re-commenced purchasing

Introduction

The past year has overseen the final steps of restructuring a business now focused: with a very clear vision and mission, on promoting a personalised and functional approach to health. Divesting the CD4 business now allows us to put all our efforts into delivering personalised nutrition diagnostics going forward, maintaining our leadership position and targeting organic growth through geographical expansion, a broadening of our product offering and embracing digital technologies.

Whilst it was disappointing to have fallen short of our revenue and profit expectations in the last quarter of the year due to operational issues, we acted swiftly to improve our performance with the help of external consultants. Nevertheless, we had a strong and growing order book demonstrating our commercial success in an exciting market. We successfully launched the MyHealthTracker digital platform in the UK and plan to roll it out to key international markets, further cementing our leadership position while better engaging our customers.

We operate in the consumer healthcare segment of gut health. It is increasingly being recognised how important gut health is to overall health and wellbeing and not a day goes by without some mention of the link which poor nutrition has to chronic inflammatory disease. Targeted diagnostics are essential in assisting health care professionals to identify the causes of poor gut health and planning therapeutic protocols for their patients.

Core business review

Health and Nutrition

The Group offers products to test for food sensitivity, a condition where there is a delayed adverse physiological response to particular foods, as opposed to an allergic reaction to food. The Food Detective® product is designed for use by healthcare practitioners and is believed to be the world's only established point-of-care food specific IgG test.

FoodPrint® is a microarray technology used by over 160 laboratories worldwide and offering significant benefits over traditional plate-based ELISA tests. The Group also provides a laboratory testing service from its UK base near Cambridge under the CNSLab brand, serving healthcare professionals and consumers directly. The division's products have a widespread coverage and brand reach in over 85 countries.

In the year ended 31 March 2023, Health and Nutrition revenues were £7.5 million (2022: £8.5 million) in line with the expected revenue range provided in the 18 January 2023 trading update. However, with lower-than-expected production yields and higher raw material costs, the adjusted EBITDA loss from continuing operations increased to £2.0 million (2022: adjusted EBITDA profit of £0.2 million). The year-end cash position was £5.1 million (2022: £1.6 million), in-line with expectations, and more than adequate to allow Omega to deliver against its growth strategy from existing funds.

Demand for Omega's food sensitivity tests moving into the new financial year remains strong with an opening order book of £2.4 million (2022: £1.4 million) on 1 April 2023, and the Company is taking action to improve operational efficiency and manufacturing capability in the near term. Chartwell Consulting, a global specialist in delivering operational performance improvements in healthcare manufacturing, was appointed in February and has been working with the team to deliver additional production yield improvements whilst reducing the FoodPrint® slide manufacturing cycle time. This has had a positive impact already in terms of the aforementioned improvements. We are currently weaning ourselves off this additional support by embedding core skills and learning into our manufacturing teams. High performing organisations invariably develop greater resilience and performance through adversity, and we are confident that this learning opportunity has given us the ability to do just that.

It was pleasing to see Omega's largest partner in China return to ordering Food Detective® kits in the year, reflecting the underlying recovery in the market as well as increasing demand in what is a large potential market after an initial lag, which is natural for novel products in virgin markets. In fact, China became Omega's single largest market in 2023. Another market that grew substantially was our home market in the UK which is serviced by our own testing laboratory CNSLab. Sales grew by 95% driven by both practitioner-based business as well as consumer demand serviced by our white-label partners. Our core strategy is based on marketing to and educating health care professionals. We recognise, however that we operate in a consumer healthcare environment. White label partners are often better equipped to address and support these markets.

Despite the operational difficulties, order intake was up over prior year due to new installations and Omega's scientific marketing team continuing to work incredibly hard to educate consumers and drive awareness of nutritional therapy through our Health and Nutrition Academy webinars. These webinars have also focused on naturopathic practice, functional medicine and sports nutrition.
Part of laying a new foundation is the requirement for a new, purpose-built facility. The current project has yet to be delivered by the landlord and the Company has rejected the terms of the landlord's recent proposal for delivery of the site. We are now considering alternative options. As previously confirmed, an agreement has been reached to extend the current Littleport lease to June 2025, thus providing sufficient time to resolve the outstanding issues and facilitate an orderly relocation in due course.

Global Health (now discontinued)
The past financial year oversaw the final act of discontinuing the Global Health division which was largely focused on VISITECT® CD4 products. These products are disposable, lateral flow point-of-care tests for determining CD4 levels in people living with HIV. Believed to be the only instrument-free point-of-care established test in the market, its strengths include the fact there is no requirement for refrigerated storage and relative to other CD4 tests that require an accompanying desktop instrument, it is affordable and easy to use.

However, this division and more importantly the products marketed had little strategic fit with the core Health and Nutrition business. In addition, we believed that the CD4 business would be more successful under new ownership, with an owner that had a greater capacity to invest in production capabilities and future product development. On 31 July 2022, we completed the sale to Accubio Limited, a wholly owned subsidiary of Zhejiang Orient Gene Biotech Co. Ltd, for an aggregate cash consideration of up to £6.3 million, before costs.

Under the terms of the sale, Omega received an immediate cash payment of £1.3 million for fixed assets and inventory, an additional £4.0 million for the intellectual property and a 4% royalty on the sale of CD4 tests to 31 December 2026, capped at £1.0 million.
At the time of writing, Omega remains in an ongoing dispute with the Department of Health and Social Care regarding the potential repayment of a pre-production payment of £2.5 million under a contract to manufacture COVID-19 lateral flow tests and a substantial counterclaim has been intimated in favour of the Company. Discussions with the DHSC are ongoing, the nature of which are not publicly disclosable due to confidentiality arrangements.

Strategy
Going forward, the Board will now focus Omega's efforts solely on its core Health and Nutrition business, maintaining its leadership position and targeting significant organic growth through embracing digital technologies and related marketing activities. The Group's growth strategy in this segment will also focus on geographic expansion in the USA, a health-conscious and mature personal health and wellbeing market, as well as expansion of the Group's current menu of tests available to healthcare professionals, with the introduction of complementary tests, allowing customers to manage their patients more comprehensively and thus enabling the Board's vision of delivering personalised nutrition for better health.

In March 2023, Omega successfully launched MyHealthTracker, a health and wellbeing tool designed to be used alongside a trained healthcare professional, allowing the patient to receive laboratory test results direct to their smartphone, thereby helping the patient make personalised changes to their diet for optimal health. Access is by invitation only from an approved healthcare professional with its main goal to elevate patient care by way of a more personalised approach to health and wellbeing. This digital platform will serve as a spine that not only improves consumer/patient and health care professional engagement but will help us better understand our end-user market around the world. This will further drive awareness and better health outcomes that will lead to organic growth from an existing customer base.

The US Food Sensitivity testing market is estimated to be the largest and most established market in the world. It is the leading market for functional medicine laboratory testing with an increasing demand for personalised medicine. The total US market size is estimated by the Directors to be $50-$100 million and the Board believes that Omega's US revenues could potentially be between £3 million and £6 million over the next three to five years.

Having initially considered that the best route to market would be to replicate Omega's CNSLab service direct to healthcare professionals and ultimately direct to consumer we subsequently adjusted our strategy to initially enter the market via partnerships with existing testing laboratories. Differentiating ourselves from established players by taking our tried and tested approach with education and support, coupled with its digital strategy, to engage and empower patients and healthcare professionals we will learn more about the US market as well as allowing the market time to become familiar with our brand prior to any further investment decisions. At the time of writing, we have already two new installations planned in the US with discussions with a third laboratory at advanced stages.

In order to realise our vision of becoming a leader in delivering diagnostics that provide a complete gut health assessment, it has been our intention to build a wider menu of complementary gut health tests and to sell these through our already well-established channels in over 85 countries. The gut microbiome is the new frontier to understanding chronic inflammatory conditions arising from poor gut health. Over recent years the gut microbiome in particular has been linked to a plethora of diseases and conditions, from diabetes and anxiety to obesity and the Group has recently seen a growing demand from its existing customer base in this segment. In addition to the microbiome, it is also important to understand the relationship between nutrients, diet, and gene expression. Nutrigenomics allows the healthcare professional to understand genetic strengths and weaknesses making specific improvements that help achieve better health. Combining microbiome and nutrigenomics with our existing IgG tests provides a compelling value proposition that will offer true personalised nutritional assessment and the Board believes that menu expansion has the potential to generate material revenue growth over the medium term. The Directors believe that menu expansion from microbiome and nutrigenomics combined has the potential to increase revenues by £2 million to £5 million over the next five years.

Having signed heads of term agreements with two separate digital technology partners to develop bespoke microbiome and nutrigenomic test reports, we have prioritised the microbiome test as having greater potential demand and volume of sales. We aim to commercialise the test in the UK shortly under our own CNSLab laboratory service to healthcare professionals.

Summary and Outlook
As an international diagnostic testing business that is passionate about improving lives around the world by accurately informing health decisions, the recent launch of our MyHealthTracker app helps our reach and connects us to our customers globally, while giving us a better understanding of gut health data and trends in terms of predictive analysis. It also empowers people, via a healthcare practitioner, to become more proactive about managing their health straight from their phone, which we believe is an important step forward.

Whilst it's disappointing to have challenges regarding the lower-than-expected production yields, we have taken swift action to bring in consultants to oversee a number of process improvements and are confident the actions being taken will deliver a material

improvement in yield in the near term. Embedding key lessons learned from this is part of laying a brand-new foundation for a business that is emerging from a group structure and learning to stand on its own two feet. Now based in Ely, Cambridgeshire, we have had to build new finance, HR and regulatory teams that were previously located in Alva, Scotland. We have a new senior management team and need to get through the “storming and norming” stages to gel teams together, change culture and step out of some of the legacy shadows to drive the business forward.

The demand for our food sensitivity tests continues to be strong and the order book is holding up well. We remain excited and confident for our prospects in the US as we continue to build a wider menu of complementary gut health tests to sell via our established channels.

We operate in an exciting market where it is increasingly being recognised that improving gut health and avoiding food-driven inflammation are key to achieving a healthy weight and maximising energy. As healthcare systems creak under the burden of chronic disease and an ageing population, society is increasingly turning to prevention through wellness. Gut health is at the very frontier of this change and we in turn sit at the heart of this movement.

On a personal level, I remain honoured to lead the organisation, a company I love, in a healthcare market I am passionate about. I work with an extraordinary group of talented individuals whose knowledge and know how form a key cornerstone of our strategy within personalised nutrition. We have had some setbacks in the latter part of the year but the team have adopted a growth mindset with a willingness to learn and improve. This will help in developing a new foundation and culture that drives performance and success in the future.

Jag Grewal
Chief Executive Officer
2 August 2023

Financial Review

Improving operational efficiency

Chris Lea
Chief Financial Officer

The year was one in which the Group completed the disposal of the remainder of the Global Health division, culminating with the disposal of the CD4 business on 31 July 2022. The disposal of the loss-making division and receipt of the initial cash proceeds of £5.3 million have significantly strengthened the Group balance sheet and allowed the Board to focus exclusively on the remaining Health and Nutrition business, where there are a number of growth opportunities.

Essential changes to the formulation of the Group's key FoodPrint® product in May 2022 led to a second half weighted sales forecast which placed additional pressures on the Group's manufacturing operations. Whilst production yields have been declining steadily from a high in April 2020, there was a further and unexpected sharp decline from November 2022 which, when coupled with delays in the quality control approval process brought about by personnel changes, inefficient working practices and COVID-19 related absences, did not allow the Group to keep up with demand for its FoodPrint® product.

Whilst the order book at 31 March 2023 was £2.4 million – £1.0 million higher than the prior year – the low yield led to a substantially higher than expected raw material cost and a consequent reduction in gross margin towards the end of the financial year. In February 2023, the Board appointed Chartwell Consulting to undertake a review of micro-array production and to recommend and help implement an improvement plan, with the aim of returning yields to the 2020 high or better and to significantly reduce manufacturing and quality control lead times. These objectives have largely been achieved, with a number of all-time high yields achieved in recent weeks, although there is further work required to ensure performance is sustainable at these levels. Furthermore, the Omega team have developed new KPIs and troubleshooting skills and are now better positioned to respond earlier and more effectively to any future production challenges. In response to the lower-than-expected operational performance, several personnel changes have been enacted, with Jag Grewal currently acting as Interim Operations Director whilst the recruitment of a full-time replacement is underway.

Dispute with the DHSC
As announced on 10 December 2021, the Group is in dispute with the DHSC regarding the potential repayment of a pre-production payment of £2.5 million (net of VAT). The Board, having taken legal advice, does not believe that the Group is required to repay the pre-production payment and considers that it is entitled to recover additional losses in connection with the contract. The legal costs associated with the dispute have been expensed and, with no production volume over which the pre-production payment can be recovered as envisaged in the contract, the Group still retains a deferred income balance of £2.5 million pending resolution of the dispute.

Whilst the Company sought to develop a COVID-19 test for commercial, non-governmental purposes, this was entirely separate from the operation of the contract with DHSC, which was for the manufacture – and not development – of tests and required DHSC to confirm which test was to be manufactured through the licensing of rights. There is no reference to the development of the Group's own test anywhere in the contract, whereas the contract specifically deals with the licensing of intellectual property rights by the DHSC once an appropriate agreement has been entered into between the DHSC and a third-party test developer. Despite repeated requests over the last 18 months, the DHSC have yet to provide any information regarding the licencing of rights.

Following a protracted series of correspondence throughout 2022, on 26 April 2023 the Group met with a mediator and representatives of DHSC to attempt to resolve the dispute. Following mediation, the Board are increasingly confident that the Company is in a strong position and that the pre-production payment will not need to be repaid. Furthermore, the Company intends to pursue its counterclaim to seek to recover additional losses incurred in connection with the contract.

The mediation was paused to allow DHSC to re-assess their position in the light of the evidence provided by the Group. As a consequence, the Board is increasingly confident that the DHSC's claim has no merit and will not succeed. The Board now intends to vigorously pursue its substantial counterclaim for losses incurred as a result of the DHSC's failure to licence the necessary intellectual property to permit the contract to move forward and their failure to notify the Group of their inability to do so in a timely manner.

Placing and an open offer/direct subscription
Requiring additional funding to finance the CD4 business through to an eventual sale, the Company undertook a placing in May 2022 and an open offer/direct subscription in June 2022 which raised £2.0 million and £0.2 million respectively, at a price of 4.0 pence, with the placees requiring warrants over a further 90 million shares at an exercise price of 4.0 pence. To date, none of these warrants have been exercised and they expire on 9 November 2023.

Disposal/sale of CD4 business
Following the decision to divest the CD4 business, the Group completed the disposal to Accubio on 31 July 2022. Under the terms of this agreement, the Group received an immediate cash payment of £1.3 million for fixed assets and inventory on hand at completion. Furthermore, the Group received an additional £4.0 million of deferred consideration in November 2022, following the successful outcome of a final clinical study. The Group will continue to receive a royalty of 4% of Accubio's future CD4 revenues for the period to 31 December 2026, capped at £1.0 million in aggregate.

Following the sale, the Group were left with surplus plant and equipment with a net book value of £0.7 million, the majority of which relate to the COVID-19 business and which were purchased as part of the site expansion for the DHSC contract. These assets were offered to potential purchasers of the CD4 business and as such have been classified as assets held for sale at 31 March 2022. These non-CD4 assets were written down to an estimated recoverable amount of £0.1 million as at 31 March 2022 and were fully

impaired as at 30 September 2022. Finance lease liabilities of £0.4 million remain outstanding in relation to lateral flow equipment which was purchased for the manufacture of COVID-19 lateral flow tests for the DHSC and the commercial market.

Financial results summary – continuing operations

For the year ended 31 March 2023, the Group reported revenue of £7.5 million (2022: £8.5 million), an EBITDA loss of £2.6 million (2022: EBITDA loss of £0.4 million), an adjusted EBITDA loss of £2.0 million (2022: EBITDA profit of £0.2 million), and a statutory loss before tax of £3.3 million (2022: £1.0 million).

2023	**Health and Nutrition £'000**	**Corporate £'000**	**Total £'000**
Sales	**7,546**	**—**	**7,546**
Operating loss after exceptional costs	**(2,132)**	**(1,107)**	**(3,239)**
Add back:			
Depreciation and amortisation	**591**	**—**	**591**
EBITDA	**(1,541)**	**(1,107)**	**(2,648)**
Share-based payment charge	**1**	**77**	**78**
Exceptional aborted relocation costs	**524**	**—**	**524**
Adjusted EBITDA	**(1,016)**	**(1,030)**	**(2,046)**
Statutory loss before taxation	**(2,145)**	**(1,107)**	**(3,252)**

2022	Health and Nutrition £'000	Corporate £'000	Total £'000
Sales	8,539	—	8,539
Operating profit/(loss) after exceptional costs	965	(1,894)	(929)
Add back:			
Depreciation and amortisation	547	—	547
EBITDA	1,512	(1,894)	(382)
Share-based payment charge	58	158	216
Compensation for loss of office	—	287	287
Exceptional aborted placing costs	—	50	50
Adjusted EBITDA	1,570	(1,399)	171
Statutory profit/(loss) before taxation	944	(1,894)	(950)

Health and Nutrition revenue of £7.5 million (2022: £8.5 million) was 12% below prior year, with the order backlog caused by lower than anticipated production yields accounting for all of this shortfall. The order book at 1 April 2023 was £2.4 million (2022: £1.4 million). Encouragingly, the Group's primary trading partner in China re-commenced ordering after a two-year hiatus.

A summary of Health and Nutrition revenue is in the table below:

	2023 £'000	2022 £'000	inc/(dec) %
FoodPrint®	**4,123**	6,102	(32)%
Food Detective®	**2,291**	1,614	(41)%
CNS laboratory service	**948**	484	95%
Food ELISA/other	**184**	339	(45)%
	7,546	8,539	(12)%

The gross profit margin percentage has decreased to 47.0% (2022: 59.7%), impacted by lower FoodPrint® production yields and substantially increased scrap costs.

Excluding exceptional costs, administrative overheads for continuing operations increased by £0.4 million to £4.8 million (2022: £4.4 million).

Sales and marketing costs increased by £0.2 million to £1.5 million (2022: £1.3 million).

Exceptional items

	2023 Continuing operations £'000	2022 Continuing operations £'000
Aborted relocation costs	**(524)**	—
Compensation for loss of office	**—**	(287)
Aborted placing costs	**—**	(50)
Total	**(524)**	(337)

During the year, the Group incurred exceptional costs on continuing operations of £0.5 million (2022: £0.3 million). These costs represent the cumulative expenditure on the planned new manufacturing facility in Ely. To date, the landlord has yet to deliver the property to the agreed specification and has advised that they are unable to fund the remaining works required to complete the building. Whilst the Group is contractually obliged to enter into a lease for the property once it has been completed to the agreed specification, this is now considered to be highly improbable. As a consequence, the Group have extended the lease for the current Littleport site to June 2025 and is currently evaluating a number of new and existing properties in the Ely area.

Financial results summary – discontinued operations

As a consequence of the decision taken in March 2022 to dispose of the CD4 business, the Global Health division, which also included the COVID-19 business, has been treated as a discontinued operation, with the COVID-19 assets, CD4 assets and any associated research and development assets being written down to their recoverable amount and reclassified as assets held for sale as at 31 March 2022.

	2023 £'000	2022 £'000
Sales	**640**	3,789
Operating loss after exceptional costs	**(810)**	(7,476)
Impairment on the remeasurement of asset values	**(176)**	(1,915)
Depreciation and amortisation	**—**	742
EBITDA	**(986)**	(8,649)
Share-based payment charge	**—**	66
Exceptional (income)/costs	**(150)**	1,028
Impairment on the remeasurement of asset values	**176**	1,915
Adjusted EBITDA loss	**(960)**	(5,640)
Loss before taxation	**(988)**	(9,550)

In the four months to the date of disposal of the CD4 business, revenue from Global Health was £0.6 million (twelve months ended 31 March 2022: £3.8 million).

	2023 £'000	2022 £'000	inc/(dec) %
VISITECT® CD4	**448**	968	(54)%
COVID-19	**—**	2,596	(100)%
Allergy/autoimmune	**131**	87	51%
Other	**61**	138	(56)%
	640	3,789	(83)%

The exceptional costs associated with the discontinued Global Health division are as follows:

	2023 £'000	2022 £'000
Loss on disposal of the Alva site (after costs)	**—**	(399)
Gain on disposal of Alva lease	**—**	158
Impairment of Global Health inventory	**—**	(723)
Bad debt income/(expense)	**150**	(190)
Reduction in Omega Diagnostics GmbH settlement*	**—**	126
	150	(1,028)

* relates to the German business which was discontinued in the year ended 31 March 2019.

The loss on disposal of the Alva site includes the sale of tangible fixed assets at a loss of £0.2 million, transaction costs of £0.1 million and other costs of £0.1 million. In addition, the Group made a net gain of £0.2 million when disposing of the Alva property lease.

All COVID-19 inventory was fully impaired at 31 March 2022 and CD4 inventory was written down to net realisable value in line with the terms of the CD4 sale and purchase agreement, resulting in an aggregate impairment charge of £0.7 million.

The bad debt expense of £0.2 million in 2022 includes a provision for the potential repayment which may have arisen if Abingdon Health were unsuccessful in resolving their ongoing dispute with the DHSC. This provision was released in 2023 following the settlement of the related dispute.

The insolvency claim relating to Omega Diagnostics GmbH was settled during the 2022 for £0.3 million, £0.1 million lower than had been provided for in prior periods.

Assets held for sale

At 31 March 2022, the Global Health assets of £5.0 million and liabilities of £0.5 million were reclassified as held for sale. These assets and liabilities included CD4 assets and liabilities and non-CD4 assets and liabilities.

Following the withdrawal from the COVID-19 market and disposals of the Alva manufacturing site and the CD4 business, the Group also has a number of surplus assets which are no longer required to support its operations. These non-CD4 assets were primarily plant and equipment purchased in anticipation of COVID-19 lateral flow test production.

In 2022, the Group recognised an impairment loss of £1.9 million on the remeasurement of the CD4 and non-CD4 assets to their fair value, less costs to sell. This amount included assumptions on the fair value of deferred consideration and future royalty income to be received by the Group following the sale of the CD4 business. In 2023, the Group recognised a further impairment of £0.2 million, fully impairing these assets.

Adjusted EBITDA

Alongside the key performance indicators of revenue and gross margin percentage, the Group continues to consider EBITDA and adjusted EBITDA as being more appropriate performance measures which are better aligned with the cash-generating activities of the business. Whilst the Group made an EBITDA loss of £3.6 million (2022: £9.0 million), the continuing Group generated an EBITDA loss of £2.6 million (2022: £0.4 million). The adjusted EBITDA loss (before exceptional costs, share-based payment charges and the impairment loss recognised on the remeasurement to fair value of assets held for sale, less costs to sell) for continuing operations is £2.0 million (2022: EBITDA profit of £0.2 million).

	2023			2022		
	Continuing operations £'000	**Discontinued operations £'000**	**Total £'000**	Continuing operations £'000	Discontinued operations £'000	Total £'000
Operating loss after exceptional costs	**(3,239)**	**(810)**	**(4,049)**	(929)	(7,476)	(8,405)
Impairment on the remeasurement of asset values	**—**	**(176)**	**(176)**	—	(1,915)	(1,915)
Depreciation and amortisation	**591**	**—**	**591**	547	742	1,289
EBITDA	**(2,648)**	**(986)**	**(3,634)**	(382)	(8,649)	(9,031)
Exceptional costs	**524**	**(150)**	**374**	337	1,028	1,365
Impairment on the remeasurement of asset values	**—**	**176**	**176**	—	1,915	1,915
Share-based payment charge	**78**	**—**	**78**	216	66	282
Adjusted EBITDA	**(2,046)**	**(960)**	**(3,006)**	171	(5,640)	(5,469)

After the loss arising from discontinued activities of £0.7 million (2022: £9.9 million), the Group has recorded a loss after tax of £3.9 million (2022: £11.3 million).

Taxation
The current year tax credit of £0.4 million arises predominantly from the cash receipt of £0.5 million of research and development tax credits relating to the year ended 31 March 2021. Other than to offset any deferred tax liabilities which may crystallise in the future, based on the Group's trading assumptions the deferred tax asset in respect of trading losses will begin being realised from 2025 onwards, when the Group starts to generate taxable profits. The deferred tax asset has been valued based upon a future UK Corporation tax of 25%.

Loss per share
The loss per share was 1.7 pence (2022: 6.2 pence) based on a statutory loss after tax of £3.9 million (2022: loss of £11.3 million). The basic loss per share for continuing operations was 1.4 pence (2022: 0.9 pence). The adjusted loss per share was 1.4 pence (2022: 4.2 pence). The adjusted loss after tax was £3.1 million (2022: loss of £7.7 million) and the loss per share is calculated on the basic average of 231.3 million shares (2022: 182.6 million shares) in issue. The adjusted loss per share on continuing operations was 1.1 pence (2022: 0.4 pence).

Research and development
During the year, the Group invested a total of £0.4 million in all development activities associated with continuing operations, in line with the prior year (2022: £0.4 million), representing 4.7% (2022: 5.1%) of revenue. Of the total expenditure, £0.1 million (2022: £0.1 million) has been capitalised in accordance with IAS 38 – Development Costs, whilst earlier stage expenditure and expenditure not qualifying in accordance with IAS 38 criteria of £0.3 million (2022: £0.3 million) has been expensed through the income statement. The capitalised expenditure incurred all related to the development of the digital platform.

Research and development expenditure on the now discontinued Global Health division totalled £0.1 million during the first four months of the year (2022: £0.8 million).

Property, plant and equipment
Total expenditure on property, plant and equipment in the year was £0.03 million (2022: £1.0 million).

As at 31 March 2023, the outstanding liabilities in connection with leases recognised under IFRS 16 includes short-term liabilities of £0.02 million (2022: £0.1 million) and long-term liabilities of £NIL million (2022: £0.02 million).

Financing and going concern
Following the disposal of the operations in Scotland, the Group has appointed NatWest to replace Bank of Scotland as its bankers, with support to be provided by the East of England corporate team, more local to the Littleport site. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company and Group can continue in operational existence through a period of at least twelve months from the date of approving the financial statements (the going concern period). The Directors have determined that the going concern period for purposes of these financial statements is the period through to 31 August 2024. The Group realised a loss of £3.9million for the year ended 31 March 2023 (2022: loss of £11.3 million). As at 31 March 2023, the Group had net current assets of £6.7 million, including a cash balance of £5.1 million.
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. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

The Directors have prepared trading and cash flow base case forecasts to 31 August 2024 and have applied reverse stress tests to the base case forecasts. The stress tests have been applied to take account of the impact of potential uncertain outcomes that are, to an extent, outside of management's control, as well as reduced trading forecasts, taking into account current macro-economic conditions. These scenarios include:

- The reverse stress test indicates revenue could fall by a further 45% and a gross margin could deteriorate by an additional 2% before forecast cash resources are exhausted.
- After taking legal advice and making an assessment of the terms and conditions contained within the contract with the DHSC, the Directors do not believe the Group will be required to repay the pre-production payment of £2.5 million. In addition, the Directors consider there to be grounds to claim for damages for additional losses incurred under the contract. As such, the Directors believe that there will be no cash outflow in the form of a repayment to the DHSC in the going concern period and repayment is not included in the base case or as a sensitivity. However, the Directors acknowledge that there is a risk that a repayment of some or all of this amount may be required, the timing and quantum of which is uncertain.

The Board has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the period to 31 August 2024. On this basis, the Directors continue to adopt the going concern basis of preparation. Accordingly, these financial statements do not include the adjustments that would be required if the Company and Group was unable to continue as a going concern.

Chris Lea
Chief Financial Officer
2 August 2023

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	**2023 £'000**	2022 £'000
Continuing operations			
Revenue	3,6	**7,546**	8,539
Cost of sales		**(4,001)**	(3,437)
Gross profit		**3,545**	5,102
Administration costs		**(4,755)**	(4,438)
Selling and marketing costs		**(1,530)**	(1,256)
Other income	6	**25**	—
Operating loss before exceptional items	6	**(2,715)**	(592)
Exceptional items	6	**(524)**	(337)
Operating loss after exceptional items		**(3,239)**	(929)
Finance costs	4	**(13)**	(21)
Loss before taxation		**(3,252)**	(950)
Tax credit/(expense)	5	**80**	(459)
Loss for the year from continuing operations		**(3,172)**	(1,409)
Discontinued operations			
Loss after tax for the year from discontinued operations	7	**(688)**	(9,924)
Loss for the year		**(3,860)**	(11,333)
Other comprehensive (losses)/income to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		**(15)**	10
Other comprehensive (losses)/income for the year		**(15)**	10
Total comprehensive losses for the year		**(3,875)**	(11,323)
Earnings per share (EPS)			
Basic and diluted EPS on loss for the year	8	**(1.7)p**	(6.2)p
Earnings per share for continuing operations			
Basic and diluted EPS on loss for the year from continuing operations	8	**(1.4)p**	(0.9)p

Consolidated Balance Sheet

as at 31 March 2023

	Note	**2023 £'000**	2022 £'000
ASSETS			
Non-current assets			
Intangibles	9	**4,525**	4,745
Property, plant and equipment	10	**567**	1,138
Right of use assets	10	**21**	106
Deferred taxation	11	**997**	1,107
Total non-current assets		**6,110**	7,096
Current assets			
Inventories	13	**777**	1,094
Trade and other receivables	14	**2,403**	3,045
Cash and cash equivalents	15	**5,115**	1,605
Total current assets		**8,295**	5,744
Assets held for sale	7	**—**	4,995
Total assets		**14,405**	17,835
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**10,244**	8,044
Share premium		**25,072**	25,340
Retained deficit		**(25,319)**	(21,537)
Translation reserve		**(46)**	(31)
Total equity		**9,951**	11,816
Liabilities			
Non-current liabilities			
Long-term borrowings	17	**19**	51
Lease liabilities	10	**—**	23
Deferred income	18	**2,500**	2,500
Total non-current liabilities		**2,519**	2,574
Current liabilities			
Short-term borrowings	17	**32**	204
Lease liabilities	10	**23**	92
Trade and other payables	19	**1,525**	2,674
Total current liabilities		**1,580**	2,970
Liabilities directly associated with assets held for sale	7	**355**	475
Total liabilities		**4,454**	6,019
Total equity and liabilities		**14,405**	17,835

Simon Douglas
Non-Executive Chairman
2 August 2023

Chris Lea
Chief Financial Officer
2 August 2023

Omega Diagnostics Group PLC
Registered number: 5017761

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Retained deficit £'000	Translation reserve £'000	Total £'000
Balance at 31 March 2021	8,028	25,288	(9,891)	(41)	23,384
Loss for year ended 31 March 2022	—	—	(11,333)	—	(11,333)
Other comprehensive income – net exchange adjustments	—	—	—	10	10
Total comprehensive (losses)/income for the year	—	—	(11,333)	10	(11,323)
Issue of share capital for cash consideration	16	52	—	—	68
Share-based payments	—	—	282	—	282
Deferred tax charge related to share-based payments	—	—	(595)	—	(595)
Balance at 31 March 2022	8,044	25,340	(21,537)	(31)	11,816
Loss for year ended 31 March 2023	—	—	(3,860)	—	(3,860)
Other comprehensive loss – net exchange adjustments	—	—	—	(15)	(15)
Total comprehensive losses for the year	—	—	(3,860)	(15)	(3,875)
Issue of share capital for cash consideration	2,200	—	—	—	2,200
Expenses in connection with share issue	—	(268)	—	—	(268)
Share-based payments	—	—	78	—	78
Balance at 31 March 2023	**10,244**	**25,072**	**(25,319)**	**(46)**	**9,951**

Consolidated Cash Flow Statement

for the year ended 31 March 2023

	Note	**2023 £'000**	2022 £'000
Cash flows generated from operations			
Loss for the year from continuing operations		**(3,172)**	(1,409)
Loss for the year from discontinued operations		**(688)**	(9,924)
Adjustments for:			
– Gain on disposal of fixed assets		**—**	(7)
– Loss on disposal of Alva site fixed assets		**—**	226
– Depreciation	10	**219**	671
– Amortisation of intangible assets	9	**372**	618
– Impairment and derecognition of intangible assets	9	**15**	47
– Impairment loss recognised on the remeasurement to fair value	7	**176**	1,915
– Impairment of assets relating to aborted Ely relocation	10	**399**	—
– Share-based payments		**78**	282
– Taxation		**(380)**	833
– Omega Diagnostic GmbH liability settlement		**—**	(126)
– Finance costs		**16**	180
Cash outflow from operating activities before working capital movement		**(2,965)**	(6,694)
Decrease in trade and other receivables		**812**	1,130
Decrease in inventories		**128**	480
Decrease in trade and other payables		**(1,466)**	(137)
Movement in grants		**(139)**	(8)
Receipt of advance funding from the DHSC		**—**	2,000
Taxation received		**478**	—
Cash outflow from operating activities		**(3,152)**	(3,229)
Investing activities			
Finance income		**19**	—
Income from sale of property, plant and equipment		**—**	985
Income from sale of the CD4 business		**5,315**	—
Purchase of property, plant and equipment	10	**(25)**	(968)
Purchase of intangible assets		**(128)**	(510)
Net cash generated from/(used in) investing activities		**5,181**	(493)
Financing activities			
Finance costs	4	**(1)**	(2)
Proceeds from issue of share capital		**2,200**	68
Expenses in connection with share issue		**(268)**	—
Principal portion of asset finance payments		**(314)**	(198)
Interest portion of asset finance payments		**(25)**	(34)
Principal portion of lease liability payments		**(97)**	(192)
Interest portion of lease liability payments		**(9)**	(144)
Net cash generated from/(used in) financing activities		**1,486**	(502)
Net increase/(decrease) in cash and cash equivalents		**3,515**	(4,224)
Effects of exchange rate movements		**(5)**	2
Cash and cash equivalents at beginning of year		**1,605**	5,827
Cash and cash equivalents at end of year		**5,115**	1,605

Company Balance Sheet

as at 31 March 2023

	Note	**2023 £'000**	2022 £'000
ASSETS			
Non-current assets			
Investments	12	**3,101**	3,100
Intercompany receivables	14	**19,067**	—
Total non-current assets		**22,168**	3,100
Current assets			
Trade and other receivables	14	**85**	16,898
Cash and cash equivalents	15	**717**	1,045
Total current assets		**802**	17,943
Total assets		**22,970**	21,043
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**10,616**	8,416
Share premium		**25,689**	25,957
Retained deficit		**(13,627)**	(13,727)
Total equity		**22,678**	20,646
Liabilities			
Current liabilities			
Trade and other payables	19	**292**	397
Total current liabilities		**292**	397
Total liabilities		**292**	397
Total equity and liabilities		**22,970**	21,043

As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented for the Company.

The Company profit in the year was £22,000 (2022: loss of £2,832,000).

Simon Douglas
Non-Executive Chairman
2 August 2023

Chris Lea
Chief Financial Officer
2 August 2023

Omega Diagnostics Group PLC
Registered number: 5017761

Company Statement of Changes in Equity

for the year ended 31 March 2023

	Note	Share capital £'000	Share premium £'000	Retained surplus/(deficit) £'000	Total £'000
Balance at 31 March 2021		8,400	25,905	(10,785)	23,520
Loss for the year ended 31 March 2022		—	—	(2,832)	(2,832)
Share options exercised		16	52	—	68
Share-based payments as restated	3	—	—	282	282
Deferred tax charge related to share-based payments		—	—	(392)	(392)
Balance at 31 March 2022		8,416	25,957	(13,727)	20,646
Profit for the year ended 31 March 2023		—	—	22	22
Issue of share capital for cash consideration		2,200	—	—	2,200
Expenses in connection with share issue		—	(268)	—	(268)
Share-based payments		—	—	78	78
Balance at 31 March 2023		**10,616**	**25,689**	**(13,627)**	**22,678**

Company Cash Flow Statement

for the year ended 31 March 2023

	2023 £'000	2022 £'000
Cash flows generated from operations		
Profit/(loss) for the year	**22**	(2,832)
Adjustments for:		
– Taxation	**—**	678
– Impairment of subsidiaries	**—**	1,685
– Share-based payments	**78**	158
– Finance costs	**—**	31
Cash inflow/(outflow) before working capital movement	**100**	(280)
Increase in trade and other receivables excluding intercompany financing	**(14)**	(22)
Decrease in trade and other payables	**(104)**	(269)
Cash outflow from operating activities	**(18)**	(571)
Investing activities		
Intercompany transfer of intangible assets	**—**	31
Transfers of cash to subsidiary companies	**(6,482)**	(19,806)
Transfers of cash from subsidiary companies	**4,240**	15,811
Investment in subsidiaries	**—**	—
Net cash used in investing activities	**(2,242)**	(3,964)
Financing activities		
Finance costs	**—**	(31)
Proceeds from issue of share capital	**2,200**	68
Expenses of share issue	**(268)**	—
Net cash inflow from financing activities	**1,932**	37
Net decrease in cash and cash equivalents	**(328)**	(4,498)
Cash and cash equivalents at beginning of year	**1,045**	5,543
Cash and cash equivalents at end of year	**717**	1,045

Notes to the Financial Statements
for the year ended 31 March 2023

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 2023 were authorised for issue by the Board of Directors on 2 August 2023, and the balance sheets were signed on the Board's behalf by Simon Douglas and Chris Lea. 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. The consolidated financial statements, and the Company financial statements, are presented in sterling and have been prepared in accordance with UK-adopted international accounting standards and, as regards to the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006 not to present the Company statement of comprehensive income.

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. Following the decision of the Executive Board to discontinue trading in the Global Health segment, the Group now reports on two segments as below:

- Health and Nutrition; and
- Corporate.

Discontinued operations
Assets and liabilities are classified as held for disposal if their recoverable value is likely to be recovered via a sale or distribution as opposed to continued use by the Group. In order to be classified as assets held for sale, assets and liabilities must meet all of the following conditions; the disposal is highly probable, it is available for immediate disposal, it is being actively marketed and the disposal is likely to occur within one year.

Assets that qualify as held for disposal and related liabilities are disclosed separately from other assets and liabilities in the balance sheet prospectively from the date of classification. Non-current assets determined as held for disposal are measured at the lower of carrying value and fair value less costs to sell. No depreciation or amortisation is charged in respect of these assets after classification as held for disposal.

Assets or groups of assets and related liabilities that qualify as held for disposal are classified as discontinued operations when they represent a separate major line of business or geographical area, are part of a single plan to dispose of a separate major line of business or geographical area or are acquired exclusively with a view to resale. Income and expenses relating to these discontinued operations are disclosed in a single net amount after taxes in the statement of comprehensive income, with comparative amounts re-presented accordingly.

Additional disclosures are provided in Note 7. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company and Group can continue in operational existence through a period of at least twelve months from the date of approving the financial statements (the going concern period). The Directors have determined that the going concern period for purposes of these financial statements is the period through to 31 August 2024. The Group realised a loss of £3.9 million for the year ended 31 March 2023 (2022: loss of £11.3 million). As at 31 March 2023, the Group had net current assets of £6.7 million, including a cash balance of £5.1 million.

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. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

The Directors have prepared trading and cash flow base case forecasts to 31 August 2024 and have applied reverse stress tests to the base case forecasts. The stress tests have been applied to take account of the impact of potential uncertain outcomes that are, to an extent, outside of management's control, as well as reduced trading forecasts, taking into account current macro-economic conditions. These scenarios include:

- After taking into account the above sensitivities and mitigating actions, the reverse stress test indicates revenue could fall by a further 45% and a gross margin could deteriorate by an additional 2% before forecast cash resources are exhausted.
- After taking legal advice and making an assessment of the terms and conditions contained within the contract with the DHSC, the Directors do not believe the Group will be required to repay the pre-production payment of £2.5 million. In addition, the Directors consider there to be grounds to claim for damages for additional losses incurred under the contract. As such, the Directors believe that there will be no cash outflow in the form of a repayment to the DHSC in the going concern period and repayment is not included in the base case or as a sensitivity. However, the Directors acknowledge that there is a risk that a repayment of some or all of this amount may be required, the timing and quantum of which is uncertain.

The Board has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the period to 31 August 2024. On this basis, the Directors continue to adopt the going concern basis of preparation. Accordingly, these financial statements do not include the adjustments that would be required if the Company and Group was unable to continue as a going concern.

Intangible assets

Goodwill

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

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

Other intangible assets

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

Technology assets	–	5 to 20 years
Software	–	5 years
Licences	–	17 to 20 years
Customer relationships	–	fully amortised

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. Research and development intangible assets are amortised on a straight-line basis over the expected useful lives, with charges included in administration costs, as follows:

IAS38 Development costs	–	5 to 20 years

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 or the remaining term of the lease if shorter
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

Lease liabilities 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.

Right of use assets are recognised at the commencement date of the lease and measured at an amount equal to the initial lease liability recognised and initial direct costs incurred when entering into the lease. Right of use assets comprise the premises and equipment with leases in excess of one year.

Low value leases
Rentals applicable to low value leases, where substantially all the benefits and risks remain with the lessor, are charged against the statement of other comprehensive income on a straight-line basis over the period of the lease.

Asset finance arrangements
The Group raises finance secured on new asset purchases. Amounts received in relation to the financing of fixed asset acquisitions, where the lender has security over the specified assets acquired, are recorded as liabilities in the balance sheet and accounted for in accordance with IFRS 9. Interest incurred on these arrangements is charged to the statement of comprehensive income using the effective interest rate method.

Impairment of assets
The Group and Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group and Company make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their net present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

Trade receivables
Trade receivables recognised by the Group and Company are carried at original invoice amount less an allowance for any non-collectable or impaired amounts. The Group uses the IFRS 9 expected credit loss 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 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 an 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 the Notes to the Financial Statements.

Expected credit loss on amounts due from subsidiaries are measured using the general models for ECLs. When there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. This is determined by applying the probability of default to the receivables due from subsidiaries.

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. Bank overdrafts or other short-term debt facilities that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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, deferred income 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. Trade receivables are measured at the transaction price determined under IFRS 15. 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.

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.

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 our performance obligations have been met. This will be when goods have been despatched and the collection of the related receivable is reasonably assured. Sale of goods relates to the sale of medical diagnostic kits. Revenue relating to CNSLab laboratory services is recognised on communication of test results.

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.

Share-based payments
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. In certain circumstances, such as death of an employee, the Directors can amend the vesting period at their discretion. Fair value is determined using the Black-Scholes model.

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. It is not practical to separate estimates from judgements in relation to future forecasts. 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:

Intangible assets – expected useful life

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. The period selected for amortisation in relation to the Health and Nutrition products is five years as there is competitor activity in this space.

Carrying value of goodwill
Goodwill is tested annually for impairment. The test considers the recoverable amount of cash-generating units (CGUs) that give rise to the goodwill. The recoverable amount is determined to be the higher of the fair value less costs to sell and the value in use of the CGU. If the carrying amount of the CGU exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement.

Value in use calculations require the estimation of future cash flows to be derived from the respective CGU and the selection of an appropriate discount rate in order to calculate their present value. The value in use methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for the respective CGU. The

methodology is based on the pre-tax cash flows arising from the specific CGU and discounted using a pre-tax discount rate. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised within a reasonable period of time. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the asset recognised to be recovered within a reasonable period of time.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the Group intends to either settle them on a net basis, or to realise the asset and settle the liability simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Investments
For investments subject to impairment testing, the investment carrying value is compared to the investment recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell and the value in use of the investment. If the carrying amount of the investment exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement. Reversals of previous impairment charges are recognised if the recoverable amount of the investment significantly exceeds the carrying amount.

Value in use calculations require the estimation of future cash flows to be derived from the respective subsidiary and the selection of an appropriate discount rate in order to calculate their present value. The value in use methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for the respective subsidiary. The methodology is based on the pre-tax cash flows arising from the respective subsidiary and discounted using a pre-tax discount rate. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the subsidiary.

Deferred income
At inception, amounts advanced by DHSC were classified as deferred income under IFRS 15 because they were to be recovered at an agreed amount per lateral flow test produced. With no production volume over which the advance payment can be recovered as envisaged in the contract, the Company still retains the deferred income balance of £2.5 million pending resolution of the dispute. Depending on the outcome of the settlement negotiations, the amount of deferred income to be retained by the Company may be more or less than the amount stated. Under IFRS 15 no amount would be recognised as revenue unless it is highly probable that a significant reversal would not occur. Notwithstanding legal advice obtained and the Directors intention to challenge any attempt to reclaim the amount advanced under the contract, at the 31 March 2023, the Directors have determined the amount to be fully constrained.

Fair value of assets held for sale
The fair value less costs to sell of assets held for sale at 31 March 2022 was £5.0 million (see Note 7), of which the majority relates to the CD4 business. The fair value has been determined on the basis of negotiations with potential buyers at the balance sheet date and, since there were no material changes to the fair value of the CD4 business between 31 March 2022 and 31 July 2022, the consideration agreed has been determined to be representative of the fair value at the balance sheet date. Judgement has also been applied in determining the appropriate fair value of the contingent elements of the consideration agreed, which is based on a range of possible outcomes including, the outcome of the ongoing clinical study in Kenya which is expected to conclude in the final quarter of 2022 and revenues generated from future CD4 revenues under Accubio ownership for the period to 31 December 2026 which the Group are entitled to royalty fees of 4%.

Standards adopted for the first time
There are no new or revised standards effective for annual periods beginning on or after 1 April 2022 that are relevant to the Group.

Standards, amendments and interpretations to existing standards that are not yet effective
There are no new standards, amendments to existing standards or interpretations that are effective as at 31 March 2022 relevant to the Group.

3 Segmental information
Following the withdrawal from COVID-19 products and the decision taken in March 2022 to dispose of the CD4 business, the sale of which was completed on 31 July 2022, the entire Global Health division was classified as held for sale, the only remaining division is Health and Nutrition. The Global Health division specialised in the research, development, production and marketing of kits to aid the diagnosis of infectious diseases, including COVID-19.

The Health and Nutrition 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 point-of-care Food Detective® test.

The Corporate segment consists of centralised corporate costs which are not allocated to the trading activities of the Group.
Inter-segment transfers or transactions are entered into under the normal commercial conditions that would be available to unrelated third parties.

Business segment information

2023	Health and Nutrition £'000	Corporate £'000	Total £'000
Revenue	7,742	—	7,742
Inter-segment revenue	(196)	—	(196)
Total revenue	7,546	—	7,546
Cost of sales	(4,001)	—	(4,001)
Gross profit	3,545	—	3,545
Operating costs	(5,153)	(1,107)	(6,260)
Operating loss before exceptional items	(1,608)	(1,107)	(2,715)
Exceptional items	(524)	—	(524)
Operating loss after exceptional items	(2,132)	(1,107)	(3,239)
Depreciation	219	—	219
Amortisation	372	—	372
EBITDA	(1,541)	(1,107)	(2,648)
Exceptional items	524	—	524
Share-based payment charges	1	77	78
Adjusted EBITDA	**(1,016)**	**(1,030)**	**(2,046)**
Share-based payment charges	(1)	(77)	(78)
Depreciation	(219)	—	(219)
Amortisation	(372)	—	(372)
Net finance costs	(13)	—	(13)
Exceptional costs	(524)	—	(524)
Loss before tax	(2,145)	(1,107)	(3,252)
Exceptional items	524	—	524
Share-based payment charges	1	77	78
Amortisation	109	—	109
Adjusted loss before tax	**(1,511)**	**(1,030)**	**(2,541)**

2022	Health and Nutrition £'000	Corporate £'000	Total £'000
Revenue	8,779	—	8,779
Inter-segment revenue	(240)	—	(240)
Total revenue	8,539	—	8,539
Cost of sales	(3,437)	—	(3,437)
Gross profit	5,102	—	5,102
Operating costs	(4,137)	(1,557)	(5,694)
Operating profit/(loss) before exceptional items	965	(1,557)	(592)
Exceptional items	—	(337)	(337)
Operating profit/(loss) after exceptional items	965	(1,894)	(929)
Depreciation	194	—	194
Amortisation	353	—	353
EBITDA	1,512	(1,894)	(382)
Share-based payment charges	58	158	216
Exceptional items	—	337	337
Adjusted EBITDA	1,570	(1,399)	171
Share-based payment charges	(58)	(158)	(216)
Depreciation	(194)	—	(194)
Amortisation	(353)	—	(353)
Net finance costs	(21)	—	(21)
Exceptional items	—	(337)	(337)
Profit/(loss) before tax	944	(1,894)	(950)
Exceptional items	—	337	337
Share-based payment charges	58	158	216
Amortisation	99	—	99
Adjusted profit/(loss) before tax	1,101	(1,399)	(298)

The adjusted profit/(loss) before taxation is a key measure of the Group's trading performance used by the Directors. The reported numbers are non-GAAP measures.

Corporate consists of centralised corporate costs which are not allocated across the trading divisions.
The segment assets and liabilities are as follows:

2023	Health and Nutrition £'000	Corporate £'000	Total £'000
Segment assets	8,208	85	8,293
Unallocated assets	—	—	6,112
Total assets	**8,208**	**85**	**14,405**
Segment liabilities	1,307	292	1,599
Unallocated liabilities	—	—	2,500
Total liabilities	**1,307**	**292**	**4,099**

The assets and liabilities held for sale at 31 March 2022 are detailed in Note 7 – discontinued operations.

2022	Health and Nutrition £'000	Corporate £'000	Total £'000
Segment assets	10,055	73	10,128
Unallocated assets	—	—	2,712
Total assets	10,055	73	12,840
Segment liabilities	2,508	397	2,905
Unallocated liabilities	—	—	2,639
Total liabilities	2,508	397	5,544

Unallocated assets comprise cash and deferred taxation. Unallocated liabilities primarily relate to deferred income balances.

Information about major customers

One customer within the Health and Nutrition segment accounts for £839,000, 11.0% (2022: £1,369,000, 16.0%) of continuing 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.

	2023 £'000	2022 £'000
Revenues		
UK	**975**	470
Rest of Europe	**2,311**	2,605
North America	**1,143**	1,742
South/Central America	**301**	500
India	**529**	513
Asia and the Far East	**1,726**	1,503
Africa and the Middle East	**561**	1,206
	7,546	8,539

2023	**Intangibles £'000**	**Property, plant and equipment £'000**	**Inventories £'000**	**Trade and other receivables £'000**	**Total £'000**
Assets					
UK	4,524	586	724	2,312	8,146
India	1	2	53	91	147
Unallocated assets	—	—	—	—	6,112
Total assets	**4,525**	**588**	**777**	**2,403**	**14,405**

2022	Intangibles £'000	Property, plant and equipment £'000	Inventories £'000	Trade and other receivables £'000	Total £'000
Assets					
UK	4,743	1,241	1,084	2,938	10,006
India	2	3	10	107	122
Unallocated assets	—	—	—	—	2,712
Total assets	4,745	1,244	1,094	3,045	12,840

	2023 £'000	2022 £'000
Liabilities		
UK	**1,531**	2,829
India	**68**	76
Unallocated liabilities	**2,500**	2,639
Total liabilities	**4,099**	5,544
Capital expenditure		
Health and Nutrition	**25**	275
Global Health and Other	**—**	693
Total capital expenditure	**25**	968
Intangible expenditure		
Health and Nutrition	**128**	92
Global Health and Other	**—**	489
Total intangible expenditure	**128**	581

4 Discontinued operations

Following the withdrawal from COVID-19 products and the decision taken in March 2022 to dispose of the CD4 business, the sale of which was completed on 31 July 2022, the entire Global Health division was classified as held for sale as part of a single coordinated plan and has therefore been presented as a discontinued operation.

The Alva manufacturing site was disposed of in March 2022 for £985,000 resulting in a loss on disposal of £226,000 before costs of £173,000. In addition, the remaining 14 years of the Alva lease were assigned to the acquiror, and 93 employees were transferred to Accubio Limited. The Group made a gain of £158,000 when disposing of the Alva right of use asset and associated lease liability.

The remaining Global Health assets, including the CD4 assets, were held for sale as at 31 March 2022 and an impairment loss of £1,915,000 has been recognised on the remeasurement to fair value, less costs to sell. The non-CD4 assets relate primarily to COVID-19 plant and equipment no longer used in the business, the liabilities relate to the hire purchase on these assets.

The sale of the CD4 business was completed effective 31 July 2022 at which time net assets, less cost of disposal were £5,486,000. Net cash proceeds of £5,315,000 have been received and the Company is entitled to a royalty of 4% of Accubio's test revenues to 31 December 2026, capped at £1.0 million in aggregate. In calculating the loss on disposal an estimated £171,000 of future royalty income was assumed based on CD4 sales for the year ended 31 March 2022.

	2023 £'000	2022 £'000
Revenue	**640**	3,789
Cost of sales	**(184)**	(4,773)
Gross profit/(loss)	**456**	(984)
Administration costs	**(1,195)**	(4,832)
Selling and marketing costs	**(223)**	(640)
Other income	**2**	8
Operating loss before exceptional items	**(960)**	(6,448)
Exceptional items	**150**	(1,028)
Operating loss after exceptional items	**(810)**	(7,476)
Finance costs	**(2)**	(159)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(176)**	(1,915)
Loss before taxation	**(988)**	(9,550)
Tax benefit/(expense):		
Related to pre-tax loss from the ordinary activities for the period	**267**	(738)
Related to measurement to fair value less costs to sell	**33**	364
Loss for the year from discontinued activities	**(688)**	(9,924)

Adjusted loss before taxation

	2023 £'000	2022 £'000
Loss for the year from discontinued activities	**(688)**	(9,924)
Exceptional (income)/expense	**(150)**	1,028
Impairment loss recognised on the remeasurement to fair value less costs to sell	**176**	1,915
Amortisation of intangible assets	**—**	6
Share-based payment charges	**—**	66
Adjusted loss for the year from discontinued activities	**(662)**	(6,909)

Earnings per share

	2023	2022
Basic, loss for the year from discontinued operations	**(0.3)p**	(5.4)p
Diluted, loss for the year from discontinued operations	**(0.3)p**	(5.4)p
Adjusted, loss for the year from discontinued operations	**(0.3)p**	(3.8)p

Cash flows

The net cash flows relating to the Global Health business are, as follows:

	2023 £'000	2022 £'000
Operating	**200**	(4,064)
Investing	**5,335**	(126)
Financing	**(129)**	(412)
Net cash inflow/(outflow)	**5,406**	(4,602)

The major classes of assets and liabilities of the Global Health business as held for sale as at 31 March 2022 are, as follows:

	Held for sale £'000
CD4 assets	
Intangible assets	3,784
Property, plant and equipment	395
Right of use assets	9
Inventories	664
CD4 assets held for sale	4,852
Non-CD4 assets	
Intangible assets	—
Property, plant and equipment	143
Non-CD4 assets held for sale	143
Total assets held for sale	4,995
CD4 liabilities	
Lease liabilities	(10)
Non-CD4 liabilities	
Borrowings	(465)

Total liabilities directly associated with the assets held for sale	(475)
Net assets directly associated with the disposal group	4,520

The assets held for sale are stated net of the cost of disposal.
Total liabilities directly associated with the assets held for sale at 31 March 2023 were £355,000 (2022: £475,000).

Exceptional items summary

	2023 £'000	2022 £'000
Loss on disposal of the Alva site	**—**	(399)
Gain on disposal of Alva lease	**—**	158
Impairment of Global Health inventory	**—**	(723)
Bad debt provision	**150**	(190)
Reduction in Omega Diagnostics GmbH settlement*	**—**	126
Total income/(expense)	**150**	(1,028)

* Relates to the German business which was discontinued in the year ended 31 March 2019.

5 Earnings per share

Basic earnings per share are calculated by dividing the loss 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 loss 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.

	2023 £'000	2022 £'000
Loss attributable to equity holders of the Group		
Continuing operations	**(3,172)**	(1,409)
Discontinued operations	**(688)**	(9,924)
Loss attributable to equity holders of the Group for basic earnings	**(3,860)**	(11,333)

	2023 Number	2022 Number
Basic average number of shares	**231,263,884**	182,638,427
Share options	**575,000**	4,359,653
Diluted weighted average number of shares	**231,838,884**	186,998,080

Basic and diluted EPS on loss for the year	**(1.7)p**	(6.2)p
Basic and diluted EPS on loss for the year from continuing operations	**(1.4)p**	(0.9)p

Adjusted earnings per share on profit for the year

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

	2023 £'000	2022 £'000
Loss attributable to equity holders of the Group	**(3,860)**	(11,333)
Exceptional items*	**550**	3,280
Amortisation of intangible assets	**109**	105
Share-based payment charges	**78**	282
Adjusted loss attributable to equity holders of the Group	**(3,123)**	(7,666)

* Being the sum of continuing exceptional items, discontinuing exceptional items and impairment loss recognised on the remeasurement to fair value less costs to sell.

Adjusted loss for the year – continuing operations

The reported numbers are non-GAAP measures.

	2023 £'000	2022 £'000
Loss for the year from continuing operations	**(3,172)**	(1,409)
Exceptional items	**524**	337
Amortisation of intangible assets	**109**	99
Share-based payment charges	**78**	216
Adjusted loss for the year from continuing operations	**(2,461)**	(757)

Adjusted EPS on loss for the year	**(1.4)p**	(4.2)p
Adjusted EPS on loss for the year from continuing operations	**(1.1)p**	(0.4)p

Adjusted loss before taxation, which is a key measure of the Group's trading performance used by the Directors, is derived by taking statutory profit before taxation and adding back exceptional items, amortisation of intangible assets (excluding development costs) and share-based payment charges.