Informing decisions
Improving health

Omega Diagnostics

Annual Report and Group Financial Statements 2022

Informing decisions Improving health

Omega Diagnostics promotes a personalised approach to health, specialising in a range of tests associated with food sensitivity and gut health. Using advanced diagnostic technology, we enable healthcare professionals and their patients to identify lifestyle and dietary changes that can significantly improve their long-term health and well-being.

Our purpose

To improve lives around the world by offering pioneering diagnostic testing in the functional medicine sector – empowering healthcare practitioners and patients to make informed health decisions.

Our vision

To put personalised nutrition at the heart of global healthcare.

Our mission

Working with our partners to develop and deliver best-in-class diagnostic products. Empowering, educating and inspiring the markets we serve.

Our core values

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

Accountability
Ask what more I can do. Take ownership.

Collaboration
Actively support your colleagues.

Be clear in communication.

Celebrate success and have fun together.

Honesty
Aspire to be open and transparent.

Take pride in building trust between ourselves and others.

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

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

Omega Diagnostics Group
Omega Diagnostics
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Financial highlights

- Revenue increased by 25% to **£8.5m** (2021: £6.8 million)
- Gross margin increased to **59.7%** (2021: 58.6%)
- Operating loss (continuing operations) **£0.9m** (2021: £0.5 million)
- Loss from discontinued Global Health operations **£9.9m** (2021: £2.5 million) including:
  - loss on disposal of Alva site **£0.4m**
  - impairment loss recognised on the remeasurement of Global Health assets to fair value less costs to sell **£1.9m**
- Adjusted EBITDA (continuing operations) **£0.2m** (2021: £0.1 million)
- Health and Nutrition division adjusted EBITDA **£1.6m** (2021: £1.3 million)

Operational highlights

- Strategy now focused exclusively on profitable and cash generative Health and Nutrition products
- New executive team of Jag Grewal (CEO) and Chris Lea (CFO)
- Global Health division has been discontinued and disposed of
  - Withdrawal from COVID-19, following non-progression of the DHSC contract
  - Reduction in operating costs following the sale of the Alva site for £1.0 million
  - Disposal of the loss-making CD4 business for up to £6.3 million completed on 31 July 2022
- Post year end equity fund raise of £2.2 million (gross)
- Business now stabilised after the disruption caused by COVID-19

Contents

Delivering personalised nutrition for better health

Optimal gut and digestive function are essential for maintaining good health and well-being.

Whilst it has always been understood that a healthy gut and digestive function are necessary for life, emerging evidence has demonstrated that the gut microbiome plays a key role in regulating immune function; protection of the gut barrier wall; synthesis of vitamins, amino acids, as well as short chain fatty acids which in turn promote good gut health; as well as influencing mood via gut-brain cross talk.

Over the last decade, more and more scientific evidence has emerged indicating that poor gut health is influential in many chronic illnesses from immune function, mental health, obesity, cancer, heart disease and type II diabetes as well as cognitive decline and neurodegenerative diseases such as dementia.

Our gut microbiomes are highly individual and are reflective of the food we eat. Whilst a healthy, diverse gut microbiome is associated with good health, an unhealthy or dysbiotic gut microbiome profile has been found to promote chronic, low-grade inflammation which underpins many of the chronic illnesses seen today.

Diet plays a major role in influencing the gut microbiome, and a diet rich in fibre from fruit and vegetables, as well as wholegrains will help promote a healthy microbial profile. Conversely, a diet rich in refined sugar, carbohydrates and fats encourages alterations in the gut microbiome which leads to increased inflammation and raises the risk of obesity, type II diabetes and liver disease, among others.

It is now acknowledged that a "one size fits all" approach to diet and health no longer works, as our genes, biochemistry and gut microbiome are all unique to every one of us. A more personalised approach to nutrition and health, based on lifestyle, genetics and microbiome profile is required to meet the challenges of managing chronic illness in the future.

Source: Dr Nigel Abraham, Scientific Director, Omega Diagnostics, 2022

MARCH 2022

Sale of Alva Manufacturing business

With an unsustainable cost base in Alva, following the non-progression of the DHSC COVID-19 lateral flow test contract, combined with a small, but growing CD4 business, the Board elected to dispose of the site to Accubio Limited in March 2022 for £1.0 million. The sale involved the transfer of 93 employees to Accubio, many of whom were subsequently contracted to provide manufacturing services for the Group's CD4 production. The disposal lowered the monthly Alva site costs by approximately £0.2 million, from £0.5 million to £0.3 million per month.

JULY 2022

Disposal of the CD4 business

On 31 July 2022, the Group completed the exit from the Alva site with the sale of its CD4 business to Accubio for gross proceeds of up to £6.3 million, of which £4.0m is held in escrow and up to £1.0m is dependent on future product sales. The sale completed the planned withdrawal from the Global Health division, which at the time of sale was losing £0.3 million a month.

This disposal stabilises the finances of the Group and leaves the Group focused solely on its profitable and cash generative Health and Nutrition business, where the Board sees opportunities for growth.

JANUARY 2022

Leadership changes

After 19 years, Kieron Harbinson stepped down as Group Finance Director in August 2021, replaced by Chris Lea. Chris has extensive experience of AIM-listed small cap companies, with a strong focus on turnaround and mergers and acquisitions.

After six years, Colin King stepped down as CEO in January 2022. His replacement, Jag Grewal, has been with the Group for eleven years, formerly as Group Commercial Director and more recently, Managing Director of the Health and Nutrition business.

After nine years, former Chairman Bill Rhodes retired from the Board in February 2022.

MAY/JUNE 2022

Fundraising

The Company completed a placing to raise £2.0 million before costs, issuing 50 million shares at an issue price of 4.0 pence. The placing involved the issue of warrants over a further 90 million shares, executable over an 18-month period at a price of 4.0 pence. A subsequent open offer raised an additional £0.2 million. The funding enabled the Group to finance the CD4 business through to eventual sale and provided additional working capital.

Delivering personalised nutrition for better health

The global health and wellness market is estimated by McKinsey to be worth $1.5 trillion. Annual growth is predicted to be between 5 and 10%, driven by the growing prevalence of chronic lifestyle diseases across the globe. The COVID-19 pandemic has also highlighted the importance of personal health and wellness. A McKinsey survey of 7,500 consumers conducted in six countries concluded that 79% of respondents claimed that wellness was important, and 42% said wellness was a priority.

The global functional medicine lab testing market is estimated to generate revenue of $5.6 billion by 2025, growing at a CAGR of 10% between 2020 and 2025. Functional medicine is gaining widespread traction globally as a science-based, whole-body approach to addressing chronic disease. More than 100,000 clinicians – 60% of them medical doctors – have adopted a functional medicine emphasis within their clinical practice. North America is the leading market for functional medicine lab testing due to the increasing demand for personalised medicine, although growth projections for the Asia Pacific region and Europe will see these regions soon fall into step with the US and Canada.

Omega's Health and Nutrition products are used by customers around the globe and include government and private hospitals, reference laboratories, nutritionists, naturopaths, and other healthcare professionals who follow a functional medicine approach to health and wellness.

Our tests are typically used where there are chronic long-term inflammatory conditions that are linked to poor gut health or by healthcare consumers wishing to maintain health and wellness.

How we go to market – our playbook

We work closely with our global business partners to help develop food sensitivity testing markets in their territories. Key factors for successful commercialisation of our products in global markets include:

- engagement of our business partners with our scientific education programme;
- establishing direct relationships with local professional bodies; introducing them to our scientific education programme and participation in relevant local health conferences;
- dissemination of scientific webinars to labs and healthcare practitioners in their local markets;
- development of local online and offline marketing, including support materials for practitioners and patients;
- technical training and education for business partner teams and their customers; and
- qualified nutrition and technical support.

What is food sensitivity?

Food sensitivity can result from your body reacting badly to certain foods. Often the foods we regularly include in our diet, or the foods we crave, may be the ones causing us a problem. Poor gut health appears to be a factor in the development of food sensitivities.

Research has shown that food sensitivity can be linked to IgG antibodies produced when these "problem" foods are eaten.

Normally these antibodies do not have any ill-effects, but if the immune or digestive system is not working optimally, their presence may provoke a wide range of symptoms.

As pioneers in food IgG antibody testing for food sensitivities, we have over 30 years' experience and expertise in this field.

Testing for food sensitivities

There is much debate in scientific community in respect of the terminology used to describe IgG-mediated food specific antibody testing. There is currently no clear international consensus, with definitions including type III Ig-mediated food allergy, IgG food intolerance and IgG food sensitivity amongst others. This confusion permeates from healthcare practitioners through to their patients. Our tests should not be confused with IgE allergy panels for food allergy, or diagnostics to identify enzyme deficiency food intolerances, such as lactose intolerance. While IgE antibodies are responsible for acute allergic reactions, IgG-mediated manifestations take much longer to develop.

As a result of this confusion relating to IgG food antibody testing, we have reviewed how we can distinguish the intended purpose of our products, which is to identify food-specific IgG antibodies in blood from these other clinical conditions and have aligned our products with the Institute for Functional Medicine (IFM) definition which classes these tests as Food Sensitivity tests.

Our brands:

Food Detective® PROFESSIONAL

- Near-patient test in clinic setting
- 59 common foods analysed for IgG food antibodies
- Rapid results in just 40 minutes

FoodPrint®

- Trusted by over 150 laboratories worldwide
- Innovative, colorimetric microarray-based ELISA technology
- Analyses IgG antibodies to over 200 different foods
- Foods tested in duplicate for more accurate results
- Quantitative reporting allows for more personalised and precise dietary management

FoodELISA

- Wide range of panels available
- Semi-quantitative results reported with easy to interpret results

CNSLab

- Our UK Lab offers FoodPrint® testing and other functional tests to healthcare practitioners in the functional/integrative medicine sector

Future strategy

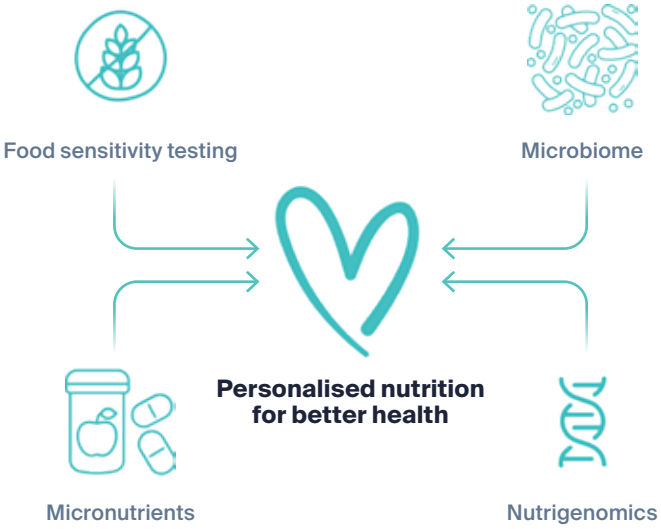
Education is key factor for success

Key to our vision and maintaining a leadership position in gut health is an ongoing programme of scientific education, which includes building awareness amongst healthcare practitioners as to how gut health impacts on a wide range of long-term clinical conditions. Scientific studies have shown a clear link between gut health and certain chronic conditions such as irritable bowel syndrome or migraine and whilst the mechanisms involved are still poorly understood, healthcare professionals recognise the importance of preventative care in respect of digestive health and overall well-being.

To support this strategy, Omega is focusing on developing a digital education system to allow business partners and healthcare practitioners to access relevant scientific education and marketing resources on demand.

The future is digital

Digitalisation in the healthcare sector has become a key trend as patients seek to prioritise their health and wellness and become more fully engaged in playing a more proactive role in managing health conditions. Omega is embracing digital technology that will empower healthcare practitioners to more easily reach and engage with their patients.



Test Menu extension

Optimal gut health is influenced by a number of factors including diet and lifestyle, as well as genetics. We are planning on extending our product range to embrace the gut microbiome, as well as nutrigenetic testing, which analyses our genetic strengths and weaknesses, and offers insights into lifestyle and dietary modifications help improve overall health. This will allow healthcare practitioners to more effectively manage patients through greater diagnostic insights, offering actionable and easy to interpret results, which will inform personalised nutrition protocols.

A global platform to build on

Our global network for food sensitivity testing gives us a solid foundation for building complementary testing around our current products to give healthcare practitioners a more comprehensive insight into an individual's health status.

How we are different

Geographic presence

With a geographic presence in over 70 countries; with more than 150 laboratories around the world offering our FoodPrint® test, and our products positioned at the heart of functional testing for gut health and nutrition, Omega is well positioned to exploit the anticipated growth within the global health and wellness sector.

People and knowledge

Our highly qualified and specialist teams include scientists with the capability and capacity for the development of novel immunoassays, allied to skilled operational and support staff to manufacture and commercialise opportunities in key markets.

As pioneers in food IgG antibody testing for food sensitivities, we have over 30 years' experience and expertise in this field.

Technology and innovation

Our track record for commercialising pioneering diagnostics technologies such as microarray and near-patient devices speaks for itself.

As digital technologies are increasingly being adopted for health purposes, Omega is embracing digital technology that will empower healthcare practitioners to more easily reach and engage with their patients.

Strong partnerships

Our global partnerships are a key factor in our commercial success and our regional sales teams offer close support alongside our scientific marketing team, who organise and deliver educational events and resources for our business partners to use with their customers.

Collaboration is one of our core values and a fundamental part of our scientific education programme is our partnerships with a number of global and UK-based key opinion leaders in the nutritional science field. These high profile speakers drive practitioner engagement via educational webinars and help position Omega as global thought leaders in personalised, evidence-based nutritional medicine, with a specific focus on optimal gut health to prevent chronic illness.

Focused on our future

Simon Douglas
Chairman

"Last year was an extremely challenging year, dominated by the COVID-19 opportunity that ultimately did not come to fruition and which destabilised the whole Group. The actions we have taken this year to withdraw from the COVID-19 market, to dispose of the Alva site to reduce losses and, subsequent to the year end, to complete the disposal of the loss-making CD4 business, have left the Group in a much stronger position. We currently have approximately £2.5 million in the bank and fully expect to receive the £4.0 million CD4 deferred consideration later this year, which will be used to accelerate our growth plans. Our existing Health and Nutrition division is profitable and cash generative, with opportunities for expansion both geographically and in terms of product range".

Simon Douglas
Chairman

Looking back over the last twelve months it has been one of highs and lows. We have experienced challenges, with the Government backed COVID-19 opportunity hitting many hurdles out of our control, but we have demonstrated resilience from a trading perspective, with a 41% increase in invoiced sales over the previous year.

The Group has a new, talented management team who have reacted quickly and decisively to many challenges presented to it and the Board have now strategically re-aligned the Group to focus on the highly successful and profitable Health and Nutrition business. The lateral flow test manufacturing site in Alva, Scotland has been successfully divested, together with its 93 staff, to Accubio Limited, a wholly-owned subsidiary of Zhejiang Orient Gene Biotech Co. Ltd (Orient Gene). This was the first step in our planned strategy to reshape and restructure the business. The CD4 business has also been sold to Accubio Limited for cash consideration of up to £6.3 million.

Following the expected receipt of the deferred consideration of £4.0 million from the CD4 business, we will be well financed and will focus our efforts solely on our Health and Nutrition business, which we believe has substantial opportunities in both China and the US and is positioned for good growth and success in the coming years. I would like to thank the Board for their commitment, decisiveness and determination in difficult circumstances, when seeking to maximise the value of the Company going forward.

Business performance

Outside of the COVID-19 opportunity, the Group had a strong trading year in its core Health and Nutrition business, with a 25% increase in revenue to £8.5 million for the year ended 31 March 2022 (2021: £6.8 million). The underlying performance was significantly better due to sales in 2021 being skewed by a large stocking order placed by the Group's largest partner in China to seed the market in 2021. Excluding this order, underlying Health and Nutrition sales grew by 54%, driven by strong FoodPrint® product sales, up 84%.

The now discontinued Global Health division also saw substantial growth in the period, up 97% to £3.8 million (2021: £1.9 million). CD4 revenues increased to £1.0 million (2021: £0.1 million), as further progress was made to implement CD4 testing in high HIV prevalence countries and where demand from aid agencies and non-governmental organisations continues to grow. This performance helped secure a buyer for the business.

COVID-19 lateral flow tests

We came into the year on a very positive note, with the Government having just announced that as part of its plans for dealing with the COVID-19 pandemic, it had secured a number of UK-based contracts, of which we were one, for the supply of rapid COVID-19 antigen lateral flow tests to help prevent the virus from spreading and to stop outbreaks from taking hold as restrictions were carefully lifted. The intention was that as soon as the Department of Health and Social Care (DHSC) had sourced and had access to a test that had successfully passed a performance evaluation, the test would be licensed for Omega to manufacture. As part of the contract the DHSC provided funds to help expand our Alva manufacturing site, which we duly delivered on. However, although Omega was in regular dialogue with the DHSC, progress was slow, and the DHSC ultimately failed to licence a third-party developed test to transfer to Omega's Alva site for manufacture. Eventually they allowed the contract to expire, which understandably had a negative and detrimental effect on our share price and on shareholder value.

As a result, we were left with insufficient demand and a significant manufacturing cost-base in Alva that was accordingly not sustainable. The Alva site generated a £4.9 million loss in the nine months to 31 December 2021. As part of a strategic review the Board decided to substantially reduce costs through the divestment of its Alva manufacturing site, to improve operational efficiency and to focus on our two growth opportunities, the Health and Nutrition business and our VISITECT® CD4 business.

COVID-19 lateral flow tests continued

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 of Omega, having taken legal advice, does not believe that the Group is required to repay the pre-production payment and that it is entitled to recover additional losses incurred under the contract. However, we 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.

CD4

Our strategy to drive further growth was to relocate CD4 test production to Ely, Cambridgeshire, and focus on the profitable and growing Health and Nutrition business, but this required additional working capital. The Company sought to raise growth capital of up to £7.0 million to achieve these goals but following the shareholder vote against the resolutions necessary to proceed with the proposals, the placing, subscription and open offer did not take place.

With the Group not funded to pursue its fully integrated growth strategy comprising both the CD4 business, which manufactures and supplies VISITECT® CD4 and VISITECT® CD4 Advanced Disease tests and the Health and Nutrition division, the Board quickly reassessed the strategy for the forthcoming financial year, reflecting on alternative options for funding growth for the Group.

Post year end

The conclusion of this strategic review was a decision taken in March 2022, to divest the CD4 business and to focus solely on our fast-growing Health and Nutrition business, which as a standalone business is profitable, contributed the majority of Group revenues, and is one where the Directors believe there to be substantial growth opportunities.

On 3 August 2022, we announced that, having run a thorough process and receiving a number of indicative offers, the Group concluded the sale of the CD4 business to Accubio Limited on 31 July 2022 for a maximum cash consideration of £5.3 million plus a 4% royalty payment over the period to 31 December 2026, capped at £1 million in aggregate. Although we are confident of a positive outcome from the trial and the receipt of the full amount of the deferred consideration, the precise timing and quantum of the deferred consideration which will be received is uncertain.

The Board will now focus Omega's efforts solely on its Health and Nutrition business, maintaining its leadership position and targeting significant organic growth through embracing digital technologies and related marketing activities.

Board and employees

This year has seen a refreshed Board with many changes, creating an experienced board to work together on the next phase of Omega's future, focused on the Health and Nutrition business.

The summer saw Kieron Harbinson, Group Finance Director, step down from his position after 19 years' invaluable contribution. Bill Rhodes, our previous Chairman and Non-Executive Director also stepped down from the Board in February 2022 and the Board would like to thank both Kieron and Bill for their many years of service. Towards the end of the financial year Colin King stepped down as the CEO and on behalf of the Board I would like to offer our sincere thanks for his contribution to the Group over many years and to wish him well for the future.

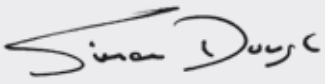
Omega welcomed the appointment of Jag Grewal to the position of CEO in January 2022. Jag has been a member of the Omega Board for over ten years and has over 25 years' commercial experience in the field of in vitro diagnostics and specifically in our Health and Nutrition division, where he was Managing Director. In August 2021, we were pleased to announce the appointment of Chris Lea, ACA, as Chief Financial Officer, someone who has extensive public company and private equity board level experience, gained within multi-national, high growth and turnaround environments.

While the COVID-19 pandemic has become better controlled, primarily through a successful vaccination programme, it still remains with us, and we still continue to take precautions where possible. We have also seen many structural changes within the Group and 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. For those who are no longer employees of Omega, I wish them all the success for the future under the new ownership.

Outlook

Last year was an extremely challenging year, dominated by the COVID-19 opportunity that ultimately did not come to fruition and which destabilised the whole Group. The actions we have taken this year to withdraw from the COVID-19 market, to dispose of the Alva site to reduce losses and, subsequent to the year end, to complete the disposal of the loss-making CD4 business have left the Group in a much stronger position. We currently have approximately £2.5 million in the bank and fully expect to receive the £4.0 million CD4 deferred consideration later this year, which will be used to accelerate our growth plans. Our existing Health and Nutrition division is profitable and cash generative, with opportunities for expansion both geographically and in terms of product range.

Despite inflationary headwinds, the Group's Health and Nutrition markets continue to grow, although as a consequence of China's zero tolerance approach to COVID-19, market adoption of our food sensitivity products in China will be slower than previously envisaged. With a number of product re-registrations being in process following a significant technical product change undertaken in May 2022, and variability in the ordering profile of many of the Group's distributors, including those in China, revenues are expected to be weighted towards the second half of the current financial year. Planned investments to increase capacity, broaden the product range and the establishment of a US presence will be dependent on receiving the CD4 deferred consideration and will increase operating expenses this year, with the Group targeting EBITDA break even for its continuing activities and the benefit of those investments expected to be realised in the following financial year, when we expect to be both profitable and cash generative.



Simon Douglas
Chairman
11 September 2022

A clear focus on Health and Nutrition

Jag Grewal
Chief Executive

- Health and Nutrition revenues up 25% and back to pre-pandemic levels
- disposal of the loss making Covid-19 and CD4 businesses based at the Alva site, generating significant funds for investment
- strategy now focused exclusively on the profitable and cash generative Health and Nutrition business
- post year end equity fundraise of £2.2 million (before expenses)

Introduction

To suggest the past financial year has been tumultuous is probably an understatement and I echo the Chairman's comments of it being a year of highs and lows. Whilst our underlying established business units grew strongly over prior year, much of the focus and excitement was obviously centred around the potential for Omega to step up and support the UK Government's response to the COVID-19 pandemic through increased levels of testing.

However, government policy and market conditions changed rapidly throughout the period. The UK Government effectively decided not to invest in parts of the UK industry and to source products from abroad. This left Omega, along with several other domestic in vitro diagnostic manufacturers, in a position where the scaled up of resources and capacity were unviable and/or unsustainable.

When I stepped into the CEO role in January 2022, it was clear that we had to act quickly to stem our losses, while creating a new foundation for the future. This resulted in the sale of the Alva site to Accubio Limited while we retained VISITECT® CD4 manufacturing capability there under a transitional services agreement. We then sought to raise funds to assist the transfer of CD4 manufacturing and to invest in key growth opportunities for Health and Nutrition.

Following on from the placing, which shareholders voted against at the general meeting held on 7 March 2022, the Board re-evaluated the strategic options for the Group's CD4 business. The conclusion of this strategic review was that in March 2022 the Board elected to divest this business unit and to focus solely on its already established, growing and profitable Health and Nutrition business, which contributed the majority of Group revenues.

Core business review

Health and Nutrition

The Group offers products to test for food sensitivity, a condition where there is a non-immediate adverse physiological response to particular foods, as distinct 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 150 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 CNS Lab brand, serving healthcare professionals and consumers directly. The division's products have a widespread coverage and brand reach in over 70 countries.

Core business review continued

Health and Nutrition continued

In the year ended 31 March 2022, Health and Nutrition revenues were £8.5 million (2021: £6.8 million). Prior year sales were skewed by a large stocking order worth approximately £1.2 million placed by the Group's largest partner in China to seed the market in 2021. Excluding this stocking order from prior year, I am pleased to report that underlying Health and Nutrition sales grew by 54%, driven by strong FoodPrint® product sales, up 84%. This division remains the key area of strategic focus, with substantial strategic growth opportunities in both China and the US, in addition to organic growth driven by an increasing awareness of how gut health impacts chronic inflammatory disease.

Growth during the period was driven by sales in North America, Europe and the Middle East, with all markets demonstrating growth other than China. Omega's team have worked incredibly hard to educate consumers and drive awareness of nutritional therapy through its Health and Nutrition Academy webinars. These webinars have also focused on naturopathic therapies, functional medicine and sports nutrition and the Board remains confident that this will drive demand once markets fully open back up. Comparative sales from China were skewed by a large stocking order placed the previous year with Omega's partner utilising that inventory in 2021 to seed the market. Sales ramp up in China is taking a little longer than expected due to local market conditions and the challenges that face any company looking to introduce a relatively new concept into the Chinese consumer market.

During the period, the Health and Nutrition team has begun marketing in a number of new and significant European territories, but the focus on future growth outside of China remains with the US and, as international travel opens up, Omega's team have more opportunities to engage with key partners in this market. In readiness for a future growth, the Group still expects to relocate the business to a new purpose-built facility in Ely which will improve operational efficiencies and provide the additional capacity required to support growth expectations.

Global Health (now discontinued)

The Global Health division also saw substantial revenue growth in the period, up 97% to £3.8 million (2021: £1.9 million).

The VISITECT® CD4 products are disposable, lateral flow point-of-care tests for determining CD4 levels in people living with HIV. Omega believes VISITECT® CD4 is 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.

Omega recorded CD4 sales of £1.0 million (2021: £0.1million) and was encouraged by the progress being made to implement CD4 testing in high HIV prevalence countries and the demand experienced from aid agencies and non-governmental organisations continued to grow. At the end of March 2022 Omega had confirmed orders worth over £1.1 million which were expected to be delivered in the year ending 31 March 2023, and the Group had an encouraging sales pipeline.

However, following on from the placing, which shareholders voted against, the Board had to re-evaluate the strategic options for the CD4 business as the Group lacked the resources to fund the growth in the business. Accordingly, the conclusion of the strategic review in March 2022 was that the Board intended to divest the CD4 business and to focus solely on its already established and profitable Health and Nutrition business. The Board considered that the CD4 business was likely to be more successful under new ownership, with an owner with a greater capacity to invest in production capabilities and product development/improvement.

The sale of the CD4 business to Accubio Limited for up to £6.3 million was concluded on 31 July 2022, leaving the Group now focused solely on the Health and Nutrition business.

The market for COVID-19 lateral flow tests changed dramatically over the last twelve months. The anticipated volumes under the Group's contract with the DHSC did not materialise and the contract lapsed in late 2021. The Group had very limited success in gaining the necessary product approvals in a timely fashion and during this time, product pricing had reduced significantly, with a large quantity of UK testing requirements being sourced from high volume manufacturers in China. With the then surplus of products on the market, selling prices became substantially below the Group's cost of raw materials, thereby making Omega's COVID-19 business unit unviable. COVID-19 related revenues contributed £2.6 million last year (2020: £1.7 million); however, in light of these circumstances, the Board took the decision to no longer pursue any COVID-19 opportunities.

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. The Board of Omega, having taken legal advice, do not believe that the Group is required to repay the pre-production payment and that it is entitled to recover additional losses incurred under the contract. Discussions with the DHSC remain ongoing. At the Group's request, the DHSC is making arrangements to remove the government-funded equipment from the Alva site.

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 well-being 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 more comprehensively manage their patients and thus enabling the Board's vision of delivering personalised nutrition for better health.

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 Board believes the best route to market would be to replicate the Group's CNS Laboratory service direct to healthcare professionals and ultimately direct to consumer. Omega differentiates itself from established players by taking the Group's tried and tested market leading approach with education and support, coupled with its digital strategy, to engage and empower patients and healthcare professionals. 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.

In order to realise our vision of becoming a leader in delivering diagnostics that provide a complete gut health assessment, it is our intention to build a wider menu of complementary gut health tests and to sell these through our already well-established channels from a market leading position in over 70 countries. Understanding the microbiome is the new frontier of 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 provide 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.

Summary and Outlook

After a tumultuous year, Omega has re-emerged as a more focused and significantly better funded company, dedicated to delivering personalised nutrition diagnostics. It was Thomas Edison who memorably stated that "I have not failed. I've just found 10,000 ways that won't work". Learning lessons from the past will inform and guide Omega's future. We will move away from strategies that are built on new product development and targeting unfamiliar market segments to those growing from an established leadership position in an existing segment that has huge potential for growth. New product development will be replaced by commercial and service development utilising existing technologies that are underpinned by a digital and educational strategy that will maintain our brand in the marketplace. It has been proven time and time again across many industries that those companies with a narrow focus and low level of distraction are more likely to deliver on their vision.

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 your energy. As healthcare systems creak under the burden of chronic disease and an aging 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 was honoured to be asked to lead the organisation in January 2022. I work with an extraordinary group of talented individuals whose knowledge and know how form a key cornerstone of our strategy within personalised nutrition. Over the past few years, Colin led the organisation honourably over that time and brought a lot of positive change to our business. I would like to thank Colin for his support and mentorship over the years, without which I would not be in a position to take the reins and lead a company I love, in a healthcare market I am passionate about.

Jag Grewal
Chief Executive Officer
11 September 2022

Restructuring for growth

Chris Lea
Chief Financial Officer

The year has unfortunately been dominated by COVID-19 and the expansion of the Alva site to facilitate the contract for the manufacture of lateral flow tests for the DHSC which was awarded in February 2021, together with dealing with the consequences arising from the non-performance of that contract.

Following the award of the DHSC contract, the Group acted swiftly and in good faith to increase the production capacity of its Alva site to meet anticipated government demand. Funded initially by advance payments of £2.5 million from the DHSC, the Group rented additional floor space in Alva, re-configured the manufacturing site, recruited and trained a significant number of new employees and purchased the plant and machinery necessary to deliver lateral flow tests at scale. The funding from the DHSC covered the initial costs of expansion, up to and including July 2021, with this advance funding to be recovered by the DHSC at an agreed amount per test produced.

Unfortunately, the anticipated volumes under the Group's contract with the DHSC did not materialise, as the DHSC failed to licence the necessary intellectual property to enable the Group to commence manufacture. The DHSC did not advise the Group of its failure to licence the necessary technology and instead, allowed the contract to lapse in late 2021. The Board considers that the DHSC should have notified the Group that the contract could not be fulfilled and invoked the termination clauses within the contract, which would have allowed the Group to recover additional losses incurred in relation to redundancy costs, the sale of assets and contract break costs.

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 of Omega, having taken legal advice, does not believe that the Group is required to repay the pre-production payment and that it is entitled to recover additional losses incurred under the contract. Discussions with the DHSC are ongoing. 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.

Alongside the DHSC contract, the Group sought to develop its own COVID-19 lateral flow test for manufacture and sale, although the DHSC contract was not dependent on a test developed by Omega. Regrettably, the Group had very limited success in gaining the necessary COVID-19 product approvals in a timely fashion and during this time product pricing had reduced significantly, with a large quantity of UK testing requirements being sourced from high volume manufacturers in China. With a surplus of products on the market, selling prices fell substantially below the Group's cost of raw materials therefore making Omega's COVID-19 business unit unviable. In light of these circumstances, the Board decided to cease pursuing any COVID-19 opportunities.

On 4 March 2022, the Group requested the DHSC make arrangements to remove the government-funded equipment from the Alva site. To date, much of the government-funded equipment remains on the Alva site, which is no longer owned or occupied by Omega.

Following the sale of the Alva site and the sale of Omega's CD4 business to Accubio on 7 March and 31 July 2022 respectively, the Group is now in a better position to quantify the additional costs suffered as a result of the DHSC's actions and expects to pursue the recovery of these incremental costs from the DHSC. The financial statements do not however, assume any recovery of such costs.

Sale of the loss-making Alva site while protecting jobs

The expansion of the Alva site in anticipation of government demand which did not materialise, coupled with a modest, but growing demand for CD4 tests, gave rise to a manufacturing facility with a high level of fixed costs, including regulatory and quality assurance costs disproportionate to activity levels, and insufficient revenue. The Alva site was losing circa £0.5 million per month and with finite cash resources available, put the future of the entire Group at risk. It was readily apparent that swift action needed to be taken to substantially reduce the Alva cost base. During discussions with Orient Gene regarding sub-contract manufacture of COVID-19 lateral flow tests, it became apparent that Orient Gene were seeking a UK manufacturing site with lateral flow expertise. A sale of the Alva site to Orient Gene, through their wholly owned UK subsidiary company, Accubio Limited, would allow the Group to assign the remaining 14 years of the lease, transfer 93 employees to Accubio thereby avoiding any redundancy costs and to dispose

of certain fixed assets for value. The Group also negotiated the right to occupy part of the Alva site until 31 December 2022 and to purchase manufacturing and administrative services from Accubio, enabling CD4 manufacturing to continue until such time as it could be relocated to the Group's planned new site in Ely. The disposal of the Alva site was completed on 7 March 2022, with the Group receiving cash proceeds of £1.0 million.

Placing and an open offer/direct subscription

At the same time as the announcement of the Alva site sale, the Group had contracted with a number of placees to raise £5.0 million at a share price of 5.0 pence, with the additional funding facilitating the planned relocation of the CD4 business to Ely, as well as financing investments in the Health and Nutrition division and providing additional working capital for the Group. The Board however failed to convince shareholders of the need to raise funds for this purpose at the general meeting on 7 March 2022 and the placing did not proceed. As a consequence, the Group was no longer capable of funding the relocation of its CD4 business and instead, immediately sought to divest itself of this loss-making business unit. Still 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.

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 £0.5 million for fixed assets and £0.9 million for inventory on hand at completion. Furthermore, the Group expects to receive an additional £4.0 million contingent on the successful outcome of an ongoing final clinical study in Kenya which is expected to conclude in the autumn and will 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.

The decisions to divest the CD4 business and to withdraw from the COVID-19 market resulted in the recognition an impairment of £1.9 million on the remeasurement of asset values to fair value, less costs to sell, as well as an impairment of inventory of £0.7 million.

With the withdrawal from COVID-19 having been announced in March, and the decision, also in March, to divest the CD4 business, the Group no longer operates in the Global Health market as previously reported. As such, the Global Health division has been treated as a discontinued operation, with the 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. This now leaves the Group solely focussed on its profitable and cash generative Health and Nutrition division going forward.

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 have been written down to an estimated recoverable amount of £0.1 million.

Financial results summary – continuing operations

For the year ended 31 March 2022, the Group reported revenue of £8.5 million (2021: £6.8 million), an EBITDA loss of £0.4 million (2021: EBITDA loss of £0.1 million), an adjusted EBITDA of £0.2 million (2021: £0.1 million), and a statutory loss before tax of £1.0 million (2021: £0.5 million).

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**
Aborted placing costs	**–**	**50**	**50**
Adjusted EBITDA	**1,570**	**(1,399)**	**(171)**
Statutory profit/(loss) before taxation	**944**	**(1,894)**	**(950)**

2021	Health and Nutrition £'000	Corporate £'000	Total £'000
Sales	6,816	–	6,816
Operating profit/(loss) after exceptional costs	906	(1,374)	(468)
Add back:			
Depreciation and amortisation	357	–	357
EBITDA	1,263	(1,374)	(111)
Share-based payment charge	72	131	203
Exceptional costs	–	–	–
Adjusted EBITDA	1,335	(1,243)	92
Statutory profit/(loss) before taxation	856	(1,402)	(546)

Health and Nutrition revenue increased by 25% to £8.5 million (2021: £6.8 million), as markets opened up following the easing of COVID-19 restrictions. Prior year sales are skewed by a large stocking order worth approximately £1.2m placed by the Group's largest partner in China to seed the market in 2021. Excluding this stocking order from last year, underlying sales grew by 54%, driven by strong Food Print® product sales, up 84%. This remains one of the key areas of strategic focus, with substantial growth opportunities in both China and the US.

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

	2022 £'000	2021 £'000	inc/(dec) %
FoodPrint®	**6,102**	3,325	84%
Food Detective®	**1,614**	2,525	(36)%
CNS Laboratory service	**484**	430	13%
Food ELISA/other	**339**	536	(37)%
	8,539	6,816	25%

The gross profit margin percentage has increased to 59.7% (2021: 58.6%) which has benefitted from the growth in the higher margin FoodPrint® sales, the Group's highest margin product.

Financial results summary – continuing operations continued

Excluding exceptional costs, administrative overheads on continuing operations increased by £0.8 million to £4.4 million (2021: £3.6 million). Research and development and regulatory affairs resources have been focused on compliance with the new In Vitro Medical Device Regulations (EU) 2017/746, which were due to be implemented in May 2022 but have subsequently been delayed to 2027 and directed more towards product improvement rather than development and have therefore been expensed rather than being capitalised. In contrast to the prior year, the year ended 31 March 2022 includes a full year amortisation charge for two specific research and development projects, Salary costs include an increase in temporary staff to support growth, together with a return to the full expense following the end of the Job Retention Scheme.

Selling and marketing costs have increased by £0.3 million to £1.3 million (2021: £1.0 million) due to the implementation of the new corporate branding, increased headcount and a return to tradeshows and international travel after the COVID-19 pandemic.

Exceptional items

During the year, the Group incurred exceptional costs on continuing operations of £0.3 million. The costs incurred related to the settlement associated with the outgoing Chief Executive and the legal costs associated with the aborted placing.

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.

Year ended 31 March 2022	2022 £'000	2021 £'000
Sales	**3,789**	1,919
Operating loss after exceptional costs	**(7,476)**	(2,853)
Impairment on the remeasurement of asset values	**(1,915)**	–
Depreciation and amortisation	**742**	528
EBITDA	**(8,649)**	(2,325)
Share based payment charge	**66**	67
Exceptional costs	**1,028**	–
Impairment on the remeasurement of asset values	**1,915**	–
Adjusted EBITDA	**(5,640)**	(2,258)
Loss before taxation	**(9,550)**	(2,993)

Revenue from Global Health increased to £3.8 million (2021: £1.9 million), principally due to the activities undertaken with COVID-19 testing. The largest portion of revenue was derived from manufacturing COVID-19 lateral flow antibody tests on behalf of the UK-Rapid Test Consortium, followed by sub-contracting activities undertaken on behalf of third parties.

Omega also shipped 309,000 VISITECT® CD4 Advanced Disease tests (2021: 37,000 tests) generating a revenue of £1.0 million (2021: £0.1 million), including sales through the Clinton Health Access Initiative supply agreement into countries including Nigeria, Uganda, Mozambique and Zimbabwe.

	2022 £'000	2021 £'000	inc/(dec) %
VISITECT CD4	**968**	111	772%
COVID-19	**2,596**	1,668	56%
Allergy/autoimmune	**87**	73	19%
Other	**138**	67	106%
	3,789	1,919	97%

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

	2022 £'000	2021 £'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 expense	**(190)**	–
Reduction in Omega Diagnostics GmbH settlement*	**126**	–
	(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 has been 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 includes a provision for the potential repayment which may arise if Abingdon Health are unsuccessful in resolving their ongoing dispute with the DHSC.

The insolvency claim relating to Omega Diagnostics GmbH was settled during the year 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 are primarily plant and equipment purchased in anticipation of COVID-19 lateral flow test production.

The Group has 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 includes 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.

Adjusted EBITDA

The continuing Group continues to consider EBITDA and adjusted EBITDA as being more appropriate measures of profitability which are better aligned with the cash generating activities of the business. Whilst the Group made an EBITDA loss of £9.0 million (2021: £2.4 million), the continuing Group generated an EBITDA loss in the year of £0.4 million (2021: £0.1 million). The adjusted EBITDA (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) is £0.2 million (2021: £0.1 million).

	2022			2021		
	Continuing operations £'000	**Discontinued operations £'000**	**Total £'000**	Continuing operations £'000	Discontinued operations £'000	Total £'000
Operating loss after exceptional costs	**(929)**	**(7,476)**	**(8,405)**	(468)	(2,853)	(3,321)
Impairment on the remeasurement of asset values	**–**	**(1,915)**	**(1,915)**	–	–	–
Depreciation and amortisation	**547**	**742**	**1,289**	357	528	885
EBITDA	**(382)**	**(8,649)**	**(9,031)**	(111)	(2,325)	(2,436)
Exceptional costs	**337**	**1,028**	**1,365**	–	–	–
Impairment on the remeasurement of asset values	**–**	**1,915**	**1,915**	–	–	–
Share based payment charge	**216**	**66**	**282**	203	67	270
Adjusted EBITDA	**171**	**(5,640)**	**(5,469)**	92	(2,258)	(2,166)

The standalone Health and Nutrition business remains profitable, with an adjusted EBITDA of £1.6 million (2021: £1.3 million).

After the loss arising from discontinued activities of £9.9 million (2021: £2.5 million), the Group has recorded a loss after tax of £11.3 million (2021: £2.1 million).

Taxation

The current year tax charge of £0.5 million arises predominantly from a reassessment of the recoverability of the tax losses of £19.5 million as at 31 March 2022. 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 2024 onwards, when the Group starts to generate taxable profits. The deferred tax asset has been valued based upon a future UK Corporation tax of 19%, increasing to 25% from 1 April 2023.

Loss per share

The loss per share was 6.2 pence (2021: 1.2 pence) based on a statutory loss after tax of £11.3 million (2021: loss of £2.1 million). The basic loss per share for continuing operations was 0.9 pence (2021: earnings per share 0.2 pence). The adjusted loss per share was 4.2 pence (2021: 1.0 pence). The adjusted loss after tax was £7.7 million (2021: loss of £1.7 million) and the loss per share is calculated on the basic average of 182.6 million shares (2021: 171.7 million shares) in issue. The adjusted loss per share on continuing operations was 0.4 pence (2021: earnings per share of 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, a reduction of £0.1 million from the prior year (2021: £0.5 million), representing 5.1% (2021: 6.9%) of revenue. Of the total expenditure, £0.1 million (2021: £0.3 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 £0.5 million (2021: £0.6 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 £0.8 million during the year (2021: £1.0 million). Capitalised expenditure reduced by £0.1 million to £0.5 million (2021: £0.6 million) with the remaining £0.3 million expensed to the income statement (2021: £0.4 million).

Property, plant and equipment

Total expenditure on property, plant and equipment in the year was £1.0 million (2021: £2.0 million). Additions of £0.4 million were incurred on leasehold improvements in relation to the Alva site and these have been disposed of following the sale of the site early in 2022.

Following the sale of the Alva site, the Group recognised a net gain on the disposal of the Alva lease of £0.2 million.

As at 31 March 2022, the outstanding liabilities in connection with leases recognised under IFRS16 includes short-term liabilities of £0.1 million (2021: £0.2 million) and long-term liabilities of £0.02 million (2021: £2.0 million).

Financing and going concern

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 30 September 2023. The Group realised a loss of £11.3 million for the year ended 31 March 2022 (2021: loss of £2.1 million). As at 31 March 2022, the Group had net current assets of £2.8 million, including a cash balance of £1.6 million and additionally had a overdraft facility of £2.0 million, which was undrawn. Subsequent to the year end, the overdraft facility was extended to 30 September 2022 on existing terms but following the sale of the CD4 business in July, Bank of Scotland have subsequently indicated it will not be renewed beyond this date. At the date of finalising these financial statements, the Group has cash in bank of £2.5 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.

In May and June 2022, the Group raised £2.2 million from shareholders through a placing and open offer/direct subscription, in order to finance the loss-making CD4 business through to eventual disposal. The sale of the CD4 business was concluded on 31 July 2022, with the Group subsequently receiving a cash payment of £0.5 million for the sale of fixed assets and a further £0.9 million for inventory on hand. A further £4.0 million is expected to be received, contingent on the successful outcome of an ongoing clinical study in Kenya which is expected to conclude in the final quarter of this calendar year. Royalty fees of 4% of Accubio's future CD4 revenues for the period to 31 December 2026 would also be due to be received, up to £1.0 million in aggregate.

The Directors have prepared trading and cash flow base case forecasts to 30 September 2023, taking into account the full anticipated proceeds from the sale of the CD4 business and have applied severe downside sensitivities and reverse stress tests to the base case forecasts. The sensitivities and 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:

- Not receiving any of the deferred consideration of £4.0 million arising from the sale of the CD4 business. This would require the VISITECT® CD4 test to fail to meet the agreed levels of sensitivity and specificity, the Group's response to the points raised in the study report to be dismissed and the World Health Organisation to officially de-list the product, removing it from the market entirely. The Directors consider that this final step will not be taken lightly as the test is unique. Should the product be de-listed, an evaluation of the time and costs associated with any remedial action is to be agreed between the Group and Accubio Limited, with the costs of any such action to be met from the deferred consideration held in escrow, subject to a maximum cap of £4.0 million. There is therefore a range of potential outcomes arising from the Kenyan trial, ranging from a cash receipt of £4.0 million to £nil, and the timing and quantum is, to an extent, outside of management's control.
- Reduction in forecast revenue to £8.5 million per annum, in line with the year ended 31 March 2022, together with a 2% reduction in gross margin to 58%.
- After factoring the impact of the above sensitivities, the Directors considered certain discretionary cost mitigation measures which could be taken, including eliminating any new headcount, delaying the planned investments in product menu expansion and in establishing a US presence, further delaying the start of the lease for the new Ely premises and seeking recovery of liquidated damages in cash or through the benefit of a rent-free period. The severe downside forecast takes account of all of these mitigating actions that could be taken as needed, but does not include any new debt finance facilities which may be available to the Group. The Directors consider these mitigating actions to be under their direct control.
- After taking into account the above sensitivities and mitigating actions, the reverse stress test indicates revenue could fall by a further 38% 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 there is a reasonable prospect that no cash outflow in the form of a repayment to the DHSC and repayment is not included in the base case or as a sensitivity. However, the Director's 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 receipt of the CD4 sale proceeds of £4.0 million is dependent on the outcome of an ongoing, independent clinical study. Although the Directors are confident of a positive outcome from the trial and the receipt of the full amount of the deferred consideration, the precise timing and quantum is uncertain.

The Directors acknowledge there is an element of uncertainty within the going concern period attaching to the outcome of the DHSC dispute and the receipt of the CD4 deferred consideration. If both outstanding matters went against the Group to the maximum extent of £6.5 million, this may exhaust the available liquidity of the Company and Group and represents a material uncertainty which may cast significant doubt on the Company and Group's ability to continue as a going concern. Notwithstanding this material uncertainty, on the basis of the legal advice received in relation to the DHSC dispute, and our assessment that the conditions precedent prior to release of the CD4 contingent consideration will be achieved, the Board has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the period to 30 September 2023. 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.

Events since the balance sheet date

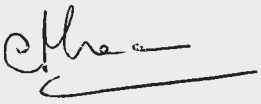
On 6 May 2022 the Company announced that it has raised gross proceeds of £2.0 million via a placing of 50,000,000 new ordinary shares of 4.0 pence each and 90,000,000 warrants to subscribe for ordinary shares (warrants) to institutional investors at an issue price of 4.0 pence per share. The placing was undertaken by means of a non pre-emptive cashbox placing. Subscribers to the placing were issued warrants to subscribe for one additional ordinary share at 4.0 pence, in the ratio of nine warrants for every five placing shares issued to those subscribers.

In addition to the placing, on 8 June 2022 the Company issued 2,877,776 new ordinary shares by direct subscription, received valid acceptances from qualifying shareholders in respect of their basic entitlements under an open offer in respect of 1,560,453 new ordinary shares and received applications from qualifying shareholders under the excess application facility in respect of 1,317,323 new ordinary shares. In aggregate this totalled 2,877,776 new ordinary shares. Furthermore, the Directors subscribed for an additional 2,125,000 shares. Accordingly, a total of 5,002,776 new ordinary shares were issued at 4.0 pence, bringing additional gross proceeds of £0.2 million before expenses.

On 8 and 9 June 2022 the Company issued share awards to directors and senior managers under a new, long term incentive plan which targets an increase in the share price to 12.0 pence over the next three years. As part of these awards, all existing share options held by Simon Douglas and Jag Grewal were relinquished.

On 10 July 2022, the Group received a payment of £0.7 million from Abingdon Health plc (Abingdon) in relation to the manufacture and supply of AbC-19™ Rapid tests, a COVID-19 lateral flow antibody test. The payment was due under the Supply of Goods contract announced on 19 October 2020 and was made following confirmation from Abingdon that a cash payment had been received from the DHSC on 7 July 2022, as part of a settlement agreement relating to outstanding invoices due from the DHSC to Abingdon. The Group may be required to repay £0.2 million of this amount dependent upon the final outcome of the ongoing dispute between Abingdon and the DHSC.

On 31 July 2022, the Group completed the disposal of its CD4 business to Accubio. Under the terms of this agreement, the Group received an immediate cash payment of £0.5 million for fixed assets and £0.9 million for inventory on hand at completion. Furthermore, the Group expects to receive an additional £4.0 million contingent on the successful outcome of an ongoing final clinical study in Kenya and which is expected to conclude in the autumn and will 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. The VISITECT® CD4 test is already fully commercialised, being distributed in 29 countries and the performance of the test has previously been independently verified in several external clinical studies. Accordingly, the Board is confident as to the outcome of the clinical study in Kenya.



Chris Lea
Chief Financial Officer
11 September 2022

Connecting with our stakeholders

The Board takes into account the views and expectations of a number of stakeholder groups when making its decisions.

Section 172 statement

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

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

b. the interests of the company's employees;

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

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

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

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

The Board considers that, collectively and individually, it has acted in good faith and in ways that are most likely to promote success for the Company and Group during the year ended 31 March 2022, and that it continues to exercise judgement and make decisions that comply with the Companies Act 2006. The Board reviews and approves an annual budget that includes investment decisions which can impact the long-term future of the Group. The Board has regard to likely return on investment when projects compete for scarce resources and the focus is now fully on the Health & Nutrition area of the business which offers the greatest opportunities for shareholder return.

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

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

Communication with customers is maintained on a frequent basis under the responsibility of the Global Sales Director, who is supported by a team of Regional Sales Managers. The Group has customers in over 70 countries throughout the world and is normally able to meet with customers through attendance at major industry trade shows throughout the year. During the pandemic, the Group has organised a number of webinars for its health and nutrition customers which have been well attended throughout the year. Complaints from customers are carefully monitored and recorded through a quality management system that seeks to provide a quick resolution to any issue.

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

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

Updating the Board

The Board receives regular updates from the senior management team and the following is a summary of how we have interacted with the key stakeholder groups comprising shareholders, customers and employees and some of the decisions we have taken.

What is important to them	How we engage	Decisions and outcomes
Shareholders		
Growth in shareholder value	The Company undertakes formal investor presentations with institutional and retail shareholders around full-year and half-year results and at other times as necessary	The Company is increasingly using the services of Investor Meet Company (IMC) to provide shareholders access to submit questions and listen to management update on the Group's progress A new Long Term Incentive Plan has been implemented which rewards senior management for delivering a substantial increase in shareholder value over a three year period
Increased communication on business performance	As well as the IMC platform, the Company provides frequent updates through the London Stock Exchange's regulatory news service, supplemented by announcements made via multiple social media channels, allowing differing levels of engagement with the various stakeholder groups	The Company's presence on social media has been enhanced and Executive Director approval for all social media posts is now in place, with a view to ensuring that all posts remain professional and appropriate The Company also uses the RNS Reach service to provide updates on more commercial matters
Awareness of business strategy	Setting out details of strategy in the Annual Report, IMC presentations and in circulars to shareholders as strategy evolves Improved communication via the Company's PR advisory firm to deal with the increased level of information requests coming from shareholders. Feedback from investors is provided to the Board based on e-mails received and following results presentations	The annual report contains a detailed description of the Health and Nutrition market in which the Group operates, and the Board's strategy for growth. Circulars and investor presentations are available to download from the Group's website The Company increased the budgeted resource allocated for its investor relations activity through its PR firm
Customers		
Customer satisfaction with our products and services	A wide range of communications channels including regular business reviews, routine account management calls, customer webinars, social media and newsletters keeps us connected to the customer	Our ISO 13485 accredited quality management system allows us to track and spot emerging patterns that enable us to proactively manage potential issues
A collaborative approach and inclusive way of working that drives better patient outcomes	The commercial team and customer services engage our distribution partners regularly to build trust and collaborative relationships	At the request of customers, we have increased the number of Health and Nutrition webinars to enable and upskill our global business partners which drives growth in mutual revenues as well as better patient outcomes
Scientific information and educational content	We undertake annual customer satisfaction surveys as well as proactively seeking continuous feedback during normal business processes The use of key opinion leaders to provide thought leadership within the consumer healthcare industry	Customer focus is a core value for the organisation and so we have introduced customer focus training into our employee induction programmes to ensure that all our employees are aware of our customers' needs Promoting the Group's Scientific Director as a thought leader in this space
Improved use of technology	Development of the My healthcare by Omega app as a sales tool for customers to engage with their patients	The new app will provide direct access to broader product range and allows healthcare professionals and consumers to access their test results provided electronically
Employees		
Being fairly rewarded and incentivised for their work	The Group invites feedback on pay and benefits in its annual staff survey and monitors trends from leavers through structured exit interviews	The Group has conducted salary benchmarking within its sector in the UK and accessed wider market data from digital recruitment platforms. The Group has also created a salary structure with defined bands for each role with three levels to reflect experience and contribution
Opportunities for career progression	The Group invites feedback on career development in its annual staff survey and advertises all vacant positions to all staff with a clear job description and person specification	The Group has developed a career development matrix for each role with three levels linked to salary band and a core competencies matrix to demonstrate core/transferable skills for all roles
Feeling engaged with the Group and the strategy for growth especially during the Covid-19 pandemic	The Group encourages collaboration between departments and sharing of good practice and provides opportunities for secondments and project work	The Group has implemented a revised annual performance and development review process to incorporate both matrices to provide greater visibility of career progression for every employee
	The Group invites feedback on the wider business in our annual staff survey: company goals and objectives, customer focus, leadership, communication, work environment, empowerment, collaboration and company image and shares results with staff to create action plans to address priorities for improvement	The Group provides monthly updates on its intranet site on a variety of topics throughout the year including strategic updates, other business news, people news, COVID-19 information, mental health awareness and remote working

Operating a system of internal control and risk management

The long-term success of the Group depends on the continual review, assessment and control of the key business risks it faces. The Group's current principal risks and uncertainties are briefly outlined below.

Risk management process

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

Principal risks and uncertainties

Risk and description	Mitigating actions	Change
General economic and political conditions The Group may be faced with changes in the general economic climate in each territory in which it operates that may adversely affect the financial performance of the Group. Factors which may contribute include the level of direct and indirect competition against the Group, industrial disruption, conflicts, rate of growth of the Group's product segments, inflation and interest rates. Following the conclusion of Brexit with the EU, the UK's ability to enter into trade deals with other countries could be subject to delay. As the world recovers from the economic impact of COVID-19, many markets, including the UK, are seeing high levels of cost inflation. This inflationary pressure is increasing the cost base of the Group. The war in Ukraine is reducing demand for the Group's products in Eastern Europe and a further, protracted conflict may exacerbate this issue.	The Group seeks to mitigate this risk by conducting operations on a broad geographic basis and by introducing new technologies to remain innovative. The Group is able to pass on a proportion of its incremental costs to its customers by increasing selling prices, although there is generally a notice period required.	▲ Whilst there has been some short-term disruption due to Brexit, the Group has not been directly impacted by this. However, there is an overall increase in risk due to the war in Ukraine having an adverse impact on sales activity in Eastern Europe and cost inflation is impacting input costs and salaries.
DHSC litigation risk The Group's contract with the DHSC to provide manufacturing capacity for COVID-19 lateral flow antigen tests expired on 1 October 2021. Following the expiry of that contract, the DHSC requested a proposal for the repayment of a pre-production payment of £2.5 million (net of VAT) which had been made by the DHSC to the Group under the contract. In the event that the outcome of the dispute is not resolved in the Group's favour, then the Group may be liable to repay some or all of the £2.5 million claimed by the DHSC. Any such finding would have a materially adverse impact upon the Group's financial position.	The Group, having taken initial legal advice, does not believe that it is required to repay this pre-production payment and that it is entitled to recover additional losses incurred under the contract. Discussions with the DHSC are ongoing.	▲ This risk has arisen as a result of the non-performance of the contract with the DHSC within the last financial year. 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.

Key ▲ Increase in risk ▼ Decrease in risk — No change in risk

Risk and description	Mitigating actions	Change
CD4 sale proceeds risk As part of the contract for the disposal of the Group's CD4 business in July 2022, £4.0 million of the sale proceeds are held in escrow pending the successful completion of an ongoing clinical study. This study is expected to complete in late 2022. In the event the study is not successful and the WHO subsequently delist the CD4 product, the indemnity granted by the Group under the sale contract may be called upon and some or all of the sums held in escrow and the future royalty income may not be received by the Group.	The Group has already undertaken a number of similar clinical studies which demonstrate the required product performance. Furthermore, the product failure rate in the field is minimal, giving confidence that the product meets the requirements of the WHO.	▲ The requirement for a new clinical study arose as a result of a temporary PQ approval process adopted by the WHO throughout the COVID-19 pandemic. The precise timing and quantum of the amount to be received is uncertain.
Regulatory risk Certain of the markets in which the Group operates are regulated by governmental agencies. Changes in any such regulatory requirements or delays when seeking new approvals could affect the ability of the Group to manufacture, market or sell its Group's products and services. Further, the nature of some of the markets addressed by the Group's products is such that their general size and growth depend to a large extent on government or other regulatory policies and decisions over which the Group has no control. Should it be the case that the Group's products become subject to further regulatory or other restrictions, then the Group may incur further research and/or development costs, or could be required to apply for regulatory approvals, which could have a material adverse effect on its financial position or prospects.	The Group continually monitors its product portfolio for fitness for purpose. The Group engages with regulatory organisations and notified bodies to understand and implement their requirements. The Regulatory team has developed its strategy to address the requirements of the new IVD Regulations (2017/746).	▼ Following the withdrawal from the manufacture of COVID-19 products and the divestment of the CD4 business, the ongoing activities within the Health and Nutrition business are less regulated than those within the Global Health division.
Funding/solvency risk The bank overdraft of £2.0m is due to expire in September and will not be renewed, leaving the Group with an asset financing facility only. The Group will therefore be reliant on funds generated from its trading operations or from external debt and/or equity funders. There is no certainty that additional funding will be forthcoming should it be required.	The Group seeks to maintain strong relationships with shareholders and its bank. The divestment of the loss-making Global Health division is expected to provide significant additional cash resources and leaves the Group with a profitable and cash generative Health and Nutrition business going forwards.	▼ The Group successfully raised £2.2 million (gross) in June 2022 by way of a placing and open offer/subscription. The Group expects to receive additional cash proceeds of £4.0 million following the successful completion of an ongoing CD4 clinical study which is due to be completed in Q4 2022.
Cyber security risk The Group's IT systems could be subject to attack from ransomware, malware and distributed denial of service attacks.	The Group has IT security systems in place, data breach policies and awareness training in place to mitigate against cyber-attacks. New firewalls have been installed at its UK sites with updated VPNs. Dual factor authentication has been implemented for remote users to access the servers/domains. The IT network has been audited by a specialist IT firm with additional recommendations being implemented.	▲ Cybersecurity attacks are becoming more powerful and effective and the threat may be exacerbated as more employees work from home.

Key ▲ Increase in risk ▼ Decrease in risk – No change in risk

Principal risks and uncertainties continued

Risk and description	Mitigating actions	Change
Development risk There is no guarantee that development activity will lead to the future launch of products. Such development activity can meet technical hurdles that cannot be overcome and market and competitor activity can render the output from development activities obsolete. Poor product evaluations could lead to delays in approvals and product launches.	The Group seeks to mitigate the risk around development activities by ensuring that new product candidates undergo a rigorous screening program.	↓ The majority of product development expenditure has historically been within the now-discontinued Global Health division. In future, Health and Nutrition development will focus on service development.
Technology risk Competition introduces new technology that competes with the Group's current portfolio which is disruptive in nature.	The Group adapts sales and marketing tactics as necessary and seeks to educate business partners on how to handle competitive threats. In Health and Nutrition, the Group is deploying a digital strategy with an App to enhance the customer experience.	– The Group continues to invest in new technologies which can add value to its business.
Supply chain risk Certain parts of our business may be reliant on single sources of supply or single customer partnerships.	Develop closer relationship with partners. Create strategic sourcing plan and provide forecast information and call-off orders to suppliers to increase on-time delivery for key raw materials.	– Unique suppliers identified for all key raw materials for UK operations.
New manufacturing site risk The Group plans to relocate its Health and Nutrition business to a new, purpose-built facility in Ely. The property developer has advised that it does not currently have access to funding to enable it to undertake the remaining works. The planned relocation may be further delayed, the Group may incur additional costs or the Group may need to look for an alternative manufacturing facility. In the absence of a suitable new facility being available, the Health and Nutrition business will have insufficient capacity to meet its growth aspirations in the medium term and revenue growth will be slower than anticipated.	The Group is in discussions with the developer to potentially vary the agreed terms of the lease to allow the building to be completed. The Group has a strong relationship with the current landlord and may be able to extend the lease on the current Littleport site and/or acquire the site.	↑ The remaining period of the Littleport lease is approximately twelve months.

Key ↑ Increase in risk ↓ Decrease in risk – No change in risk

Risk and description	Mitigating actions	Change
Pandemic risk While the Group is not currently experiencing any material impact of the COVID-19 pandemic and the associated public health restrictions and mitigations, the future path and development of the pandemic still remains relatively uncertain and there is no assurance this will not have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Group worldwide. A resurgence of the virus in locations in which the Group operates, including any imposition of stricter public health restrictions and mitigations, could have a materially adverse effect or effects on its business, prospects, financial condition or results. Such effects could include disruptions or restrictions on the ability of employees to work effectively, as well as further temporary closures of facilities or the facilities of customers or suppliers, which could affect Group's ability to perform contracts, implement growth plans and/or move to profitability. Ultimately, the full extent of the impact of a resurgence of the COVID-19 virus will depend on the continued geographical range of the virus, mutations to and variants of the virus, infection rates, the severity and related mortality rates of the virus, the timing and efficacy of further vaccine roll-outs worldwide, the evolution and administration of further vaccines and the further, ongoing steps taken nationally and globally to limit the further spread, variance and proliferation of the virus. As observed during 2020 and 2021, the pandemic caused widespread disruption to normal business activity across the globe, including the imposition of restrictions on movement and social distancing measures in the US, UK and elsewhere. There can be no assurance that it will not result in similar disruption in future.	The Group conducts operations on a broad geographic basis. The portfolio effect of trading in over 70 countries reduces the risk associated with COVID-19 outbreaks. The Group has procedures in place to ensure the continued manufacture of its Health and Nutrition products and for its employees to work safely within the Littleport site or at home.	↓ The severity of the disease has reduced and a significant proportion of the population have now been vaccinated against COVID-19. Health and Nutrition revenues have recovered to pre-pandemic levels, albeit the roll out of the Food Detective product line within China has been delayed, in part due to local lockdowns within China.
Key employees The Group's development and prospects are dependent upon training and retaining qualified professional, scientific and technical operating staff. In particular, the Group's success depends to a significant degree upon the vision, technical and specialist skills, experience, performance, and continued service of its Directors, senior management and other key personnel. Whilst the Group has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed and the loss of the services of any of the Directors, senior management or key personnel may have a material adverse effect on the Group. The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Effective product development, innovation, manufacturing and testing, upon which the Group's success is dependent, is in turn dependent upon attracting and retaining talented technical, scientific and marketing personnel, who represent a significant asset and serve as the source of the Group's technological and product innovations. In addition, to expand the Group's customer base and increase sales, the Group will need to hire additional qualified sales personnel. If the Group is unable to hire, train and retain such personnel in a timely manner, the manufacture of the Group's existing products and the development of future products could be interrupted or delayed and its ability to sell its products and otherwise to grow its business will be impaired and the delay and inability may have a detrimental effect upon the performance of the Group.	The Group aims to offer competitive salary and benefits packages. The Group has recently implemented a new, long term incentive plan for executive directors and senior managers. This plan is intended to retain and reward key personnel for improved share price performance over a three-year period. Management training programs are in place. Staff appraisals and development programs are in place.	− The Group monitors trends in the industry and periodically undertakes a UK-wide salary benchmarking exercise. The Group has been successful in recruiting additional key individuals throughout the last year who have added to its talent-base.

Key ↑ Increase in risk ↓ Decrease in risk − No change in risk

Our experienced leadership

Dr Simon Douglas, PhD, MPhil, BSc (Hons)
Non-Executive Chairman
appointed on 11 February 2021

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

Simon was appointed Chairman in February 2021. He has over 30 years' experience in the biotech industry, including 10 years working for Amersham International (now GE), ICI and Zeneca (now Astra Zeneca), in a variety of commercial and technical positions, and over five years with Tepnel Life Sciences plc (now Hologic Inc), a London Stock Exchange listed diagnostic company where he was Chief Executive. He has been the CEO/Executive Chairman of three other venture capital backed Life Science companies and headed up the trade sale of two of these. He is currently Chairman of Fusion Antibodies plc, an AIM listed CRO providing services for the discovery and development of antibody-based therapies, C-Major Medical, a venture capital backed medical device company and Chairman of Cambridge start up, HexagonFab.

Jag Grewal, BSc (Hons), MSc, MBA
Chief Executive Officer
appointed on 30 June 2011

Jag joined Omega in June 2011 as Group Sales and Marketing Director. He has worked in the medical diagnostics industry for over 25 years having started out as a Clinical Biochemist in the NHS. In 1995 he joined Beckman Instruments where he developed a career spanning 15 years in sales and marketing holding a variety of positions in sales, product management and marketing management. In 2009 he left his position of Northern Europe Marketing Manager to join Serco Health, where he helped create the first joint venture within UK pathology between Serco and Guy's and St Thomas' Hospital. He is also past Chairman and current Treasurer of the British In Vitro Diagnostics Association (BIVDA).

Jag was appointed as CEO in January 2022, replacing Colin King. Prior to this appointment, Jag was responsible for managing the Health and Nutrition division.

Chris Lea, BSc (Hons), ACA
Chief Financial Officer and Company Secretary
appointed on 30 August 2021

Chris joined Omega on 30 August 2021 as Chief Financial Officer and Company Secretary. He is responsible for finance, tax, auditing, company secretarial and supporting the CEO with investor relations. He was previously CFO of two other AIM-listed companies, IndigoVision Group plc and Superglass Holdings PLC, both of which were successfully turned around under Chris' management and were subsequently acquired by larger corporations.

Prior to his public company roles, Chris was CFO of Aviagen Europe, the world's largest poultry breeding company, where he helped grow Aviagen's European business five-fold over a 10-year period, through a combination of organic growth and multiple strategic acquisitions. Chris spent 15 years with KPMG, holding various roles in their audit and corporate finance business. He holds a BSc (Hons) in Physics from Nottingham University and is a member of the Institute of Chartered Accountants in England and Wales.

Jeremy Millard, BA (Hons), MEng, FCA
Non-Executive Director
appointed on 1 March 2019

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

Jeremy has 20 years' investment banking experience and was previously a Partner at Smith Square Partners LLP where he provided strategic and corporate finance advice to clients in the science, technology and telecommunications sectors, prior to which he headed up the technology practice at Rothschild in London. Jeremy runs FCA-regulated corporate finance business Iridium Corporate Finance and is also currently a Non-Executive Director and Chairman of the Audit Committee of AIM-listed Ilika plc as well as sitting on the boards of a number of other private UK companies.

CORPORATE GOVERNANCE

Introduction

The Board has decided to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-sized Quoted Companies, issued in April 2018.

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

- the appointment of Jag Grewal as CEO on 18 January 2022;
- the appointment of Chris Lea as CFO on 30 August 2021;
- the appointment of Dr Simon Douglas as Non-Executive Chairman on 11 February 2021;
- the appointment of Jeremy Millard as a Non-Executive Director on 1 March 2019;
- the introduction of annual group-wide staff surveys; and
- the implementation of a set of new core values.

The Board believes that the QCA Code is the more appropriate framework under which to operate for a company of Omega's size.

Board and committee structure

The size and structure of the Board and its committees are kept under review to ensure an appropriate level of governance operates throughout the year. The Board currently comprises two Non-Executive Directors and two Executive Directors who meet frequently during the year to discuss strategy and to review progress and outcomes against objectives. We have also taken steps recently to improve our engagement with shareholders and to try and communicate more effectively regarding our long-term growth drivers. We believe the Board has a good mix of skills and experience and a culture that easily enables the Non-Executive members of the Board to challenge and advise the Executive team as appropriate.

The QCA Code encompasses ten principles, against which, we are required to explain how we comply or explain why we feel it is appropriate to depart from those principles. We now report against these principles as follows.

Establish a strategy and business model which promote long-term value for shareholders

The Group is focused on selling a range of products into the consumer health and wellbeing space where we see significant growth opportunities.

In early 2022, we implemented a revised strategy to reduce operating costs, exit the Global Health business and to invest in our Health and Nutrition business in order to drive growth. We are now focused on creating value by increasing the footprint of our food sensitivity products, particularly in the US and China, where we see opportunities for growth in direct-to-consumer market channels and broadening the range of products available in our Health and Nutrition division.

Our strategy is to deliver longer-term growth by adopting and implementing the following principles:

- Revenue growth – growing the revenue for our Health and Nutrition business through geographical and product range expansion
- One team ethos – to improve collaboration between departments and implement our cultural beliefs
- Operational excellence – to develop processes for continuous improvement, consistent quality culture and growth in gross margin
- Empowering our people – to provide a framework where all staff can contribute to achieving the Group's aims

The key challenges we face are:

- ***Increasing regulatory hurdles to achieve in-country product registration.*** More and more countries now require individual product registration and in-country evaluations to be performed before a product can be sold in a territory and we are investing in more people with the regulatory skills needed to handle this increased workload
- ***Development risk.*** There is no guarantee that products in development will lead to a future market launch. We have increased resource in project management skills that plans product development activities to minimise the risk of failure
- ***Technology risk.*** We closely monitor the market on a continual basis to see how we can maintain a competitive advantage against our peers
- ***Key employees.*** The Group undertakes a salary benchmarking exercise to ensure that we remain competitive and we have also increased resource into training more of our people throughout the Group so that they can more clearly see career development opportunities with the Group

Seek to understand and meet shareholder needs and expectations

The responsibility for investor relations lies with the Chief Executive Officer, who is supported by the Chief Financial Officer. The Group seeks to engage with shareholders on a number of occasions throughout the year to understand shareholders' needs and expectations. The Company has expanded its communication strategy with shareholders, including hosting webinars on the Investor Meet Company platform and by providing video excerpts which can be accessed from the Company's website.

The Group receives anonymised feedback through its broker and financial PR organisation, through direct e-mail correspondence and from attendees at all the above events and welcomes both positive feedback and constructive criticism. This feedback has proved very useful in tailoring the content of subsequent presentations.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group seeks to ensure it has good relations with employees and external stakeholders including customers, suppliers, regulatory bodies and the wider community with which it interacts.

Employees

- All employees are invited to participate in an annual survey on which they can give anonymised feedback on a range of issues. The results are collated and presented to all employees along with actions taken by management to address the issues raised.
- Senior management present business progress updates to all staff twice a year to keep them informed. Feedback from staff indicates that this is a popular exercise undertaken by management.
- All staff undergo performance and development reviews with their managers twice a year to ensure that everyone is prioritised and aligned with the Group's main business objectives. These sessions also allow for additional staff training needs to be addressed.

Take into account wider stakeholder and social responsibilities and their implications for long-term success continued

Customers

- The Group surveys its customers on a regular basis by sending out an on-line survey for them to complete. The programme cycles through the Group's customers so that each customer receives an invite to participate in the survey at least once every two years. A regular post market surveillance regime is in place that follows up on every customer complaint and technical enquiry received and is an integral part of the Quality Management System. Customer feedback is also sought through formal and informal meetings during customer visits and exhibition meetings. These feedback interactions are documented and reviewed, with any actions recorded.

Suppliers

- Suppliers are evaluated as to the criticality and dependency of the materials or services they provide to the Group. Suitability to supply is determined either by completion of a supplier questionnaire or by supplier audit undertaken by one of the Group's Quality team. Supplier performance is regularly measured, monitored and reviewed and any concerns are escalated through a well-defined process as part of the Quality management System.

Regulatory bodies

- The Group is regularly audited by several bodies including Lloyd's Register for both ISO 9001:2015 and ISO 13485:2016 and under the Medical Devices Single Audit Program. The Group is also regularly visited by regulatory bodies of overseas jurisdictions and these have included the regulatory agencies from Brazil, Korea and more recently the World Health Organization.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Health and Nutrition business has its own senior management team (SMT), which comprise Executive Directors, plus a number of senior managers. The SMT meet on a monthly basis to review key management objectives. The SMT are responsible for preparing a risk register which is also reviewed at these monthly meetings and analysed for changes using a scoring system of impact and probability, as well as the identification of new risks.

This annual report includes an analysis of key risks along with mitigating actions.

The independent auditor's report has now been expanded to cover key risks from an audit perspective, the auditor's response to those risks and the auditor's observations as reported to the Audit Committee.

Maintain the Board as a well-functioning, balanced team led by the Chairman

The Board members have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.

The Board currently comprises the Non-Executive Chairman, one Non-Executive Director and two Executive Directors who are the Chief Executive Officer and the Chief Financial Officer.

Simon Douglas and Jeremy Millard are considered by the Board to be independent. However, it is noted that Simon Douglas and Jeremy Millard have been granted a relatively small quantity of share options as disclosed.

Simon Douglas and Jeremy Millard act in the interests of the Group at all times and are not influenced by the factors pointed out above. The Board has a good mix of skills and experience and a culture that easily enables the Non-Executive members of the Board to challenge and advise the Executive team as appropriate.

The Board meets at regular intervals and has a schedule of matters reserved for the Board including setting corporate strategy, approving the annual budget, reviewing financial performance, agreeing the renewal of and any new banking/treasury facilities, approving major items of capital expenditure and reviewing and approving acquisitions. The Board is provided with appropriate information in advance of board meetings to enable it to discharge its duties effectively and this includes a report from the Executive members of the Board, along with summary reports from senior managers providing updates on key issues.

The Non-Executive Chairman is committed to providing not less than 30 days annually to the Group and the Non-Executive Director is committed to providing not less than 18 days annually to the Group. In reality, the Non-Executive Director consistently provides more than this minimum time requirement. The Executive Directors are all full-time positions.

The Group also has an Audit Committee and a Remuneration Committee. The Remuneration Committee is chaired by Simon Douglas and the Audit Committee is chaired by Jeremy Millard. The Board does not have a separate nominations committee due to its small size and the Board itself adopts a consensus-based approach in making changes to its composition.

For the year ended 31 March 2022, the number of meetings held, and attendance by each Board member at those meetings for which they are entitled to attend, is as follows:

	Board meetings	Audit Committee	Remuneration Committee
Simon Douglas	14/15	2/2	2/2
William Rhodes*	10/12	2/2	1/1
Jeremy Millard	14/15	2/2	2/2
Colin King**	9/9	–	–
Kieron Harbinson***	4/4	–	–
Jag Grewal	13/15	–	–
Chris Lea****	11/11	–	–

* Resigned 28 February 2022.

** Resigned 18 January 2022.

*** Resigned 30 August 2021.

****Appointed 30 August 2021.

Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

Collectively, the Board has many years' of experience in the in vitro diagnostics industry with a number of public and private companies. This experience includes areas of immunoassay development, operational supply and logistics, commercial and finance activities. Currently all members of the Board are male and two of them are chartered accountants. There are currently no female directors. The Board remains confident that the opportunities in the Group are not excluded or limited by any

diversity issues (including gender) and that the Board nevertheless contains the necessary mix of experience, skills and other personal qualities and capabilities necessary to deliver its strategy. The Chairman fosters a culture during Board meetings that encourages debate and enables any Director to feel comfortable in communicating and explaining alternative viewpoints.

The Board is of the view that it has a balance of experience and skills to enable it to deliver on its strategy. Directors ensure their skills and capabilities are kept up to date including:

- Attending continuing professional development courses as part of a professional qualification.
- Attending industry trade shows and exhibitions to remain up to date with competitor activities.

The Board seeks advice from external advisors where necessary. This includes its nominated advisor/broker in relation to compliance with the AIM Rules for Companies and advice regarding secondary fundraisings. The Board also regularly seeks legal advice in relation to commercial and property matters.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board has not undertaken any formal external review of its members' performance to date. Beneath Board level, members of the senior management team are included in the twice-yearly review process which is carried out across the entire Group.

In reviewing its own performance, the Board is aware of its perception amongst shareholders, both through formal face-to-face meetings and subsequent feedback from these, along with informal discussions which take place from time to time. As Chairman, Simon Douglas invites all Board members to suggest any candidates who they feel may be capable of adding value to the Board as a whole.

Promote a corporate culture that is based on ethical values and behaviours

The Group has adopted the following core values:

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

The Executive members of the Board are very aware of the importance in living up to these core values and in setting examples for all staff to follow.

The core values are highly visible throughout the organisation and are branded on the walls of the buildings as well as being used on company notebooks and pens.

The core values that the organisation promotes are included within recruitment processes as well as within the personal development reviews which all staff undergo twice a year.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is collectively responsible for defining and implementing a strategy to deliver long-term value to shareholders, but which operates within a framework of good corporate governance and in line with the Board's assessment of risk.

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

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

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

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

Chief Financial Officer – has responsibility for safeguarding the Group's assets with appropriate policies and controls and supporting the CEO in promoting the interests of the Group. The CFO supports the CEO in day-to-day operational, finance and commercial issues, providing support and leadership to the senior management team and support in the delivery of the organisation's strategic plan.

The Board has a schedule of matters which it reserves for its review including:

- setting corporate strategy
- approving the annual budget
- reviewing financial performance
- agreeing the renewal of and any new banking/treasury facilities
- approving major items of capital expenditure
- reviewing and approving acquisitions

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board continued

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

The Audit Committee

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

The Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Group's external auditors. The Committee also oversees the relationship with the external auditors including approval of remuneration levels, approval of terms of engagement and assessment of their independence and objectivity. In so doing, they take into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services. Ernst & Young LLP have been auditors to Omega Diagnostics Limited (ODL) since 2000 and were appointed as auditors to the Group following completion of the reverse takeover of ODL in September 2006. It has been agreed that Ernst & Young LLP will be stepping down as auditors and RSM UK Audit LLP will be proposed for appointment at the forthcoming annual general meeting.

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

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

The Remuneration Committee

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

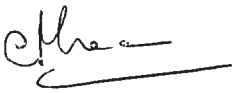
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company has not previously issued an Audit Committee report but does include a Directors' Remuneration Report for the financial year in this Annual Report.

The Group publishes an annual report in hard copy which is sent to all shareholders on the register as well as publishing current and historical annual reports on its website.

In addition, the Group publishes current and previous shareholder presentations on its website.

By order of the Board



Chris Lea
Company Secretary
11 September 2022

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

Remuneration Committee

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

Remuneration policy

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

Directors' service contracts

Jag Grewal entered into a service contract with the Group on 30 June 2011, under which he was appointed as an Executive Director on an annual salary of £110,000. His salary was increased to £140,000 per annum on 1 August 2015, £154,000 on 1 October 2020 and £195,000 on 19 January 2022 following his appointment to Chief Executive Officer. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

Jeremy Millard was appointed as a Non-Executive Director of the Group on 1 March 2019 and is currently entitled to an annual fee of £35,000. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Simon Douglas was appointed as Non-Executive Chairman of the Group on 11 February 2021 and is entitled to an annual fee of £55,000. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Chris Lea entered into a service contract with the Group on 30 August 2021, under which he was appointed as Chief Financial Officer and Company Secretary on an annual salary of £180,000. The agreement will continue until terminated by either party giving to the other not less than six months' notice in writing.

Directors' emoluments

	Fees/basic salary £'000	Consultancy fees £'000	Bonuses £'000	Benefits in kind £'000	Compensation for loss of office £'000	**Total 2022 £'000**	Total 2021 £'000
Executive							
Kieron Harbinson*	69	–	–	2	–	**71**	160
Jag Grewal	163	–	–	3	–	**166**	147
Colin King**	183	–	–	2	258	**443**	207
Chris Lea***	106	–	–	–	–	**106**	–
Non-Executive							
Simon Douglas	55	–	–	–	–	**55**	7
William Rhodes****	9	37	–	–	–	**46**	50
Jeremy Millard	35	–	–	–	–	**36**	30
	620	37	–	7	258	**922**	601

* Resigned 30 August 2021.

** Resigned 18 January 2022.

*** Appointed 30 August 2021.

****Resigned 28 February 2022.

The £37,000 consultancy fee is paid to Third Day Advisors LLC, a company controlled by William Rhodes.

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

Directors' pension contributions

	2022 £'000	2021 £'000
Kieron Harbinson	**–**	8
Jag Grewal	**8**	7
Colin King	**9**	10
Chris Lea	**5**	–
	22	25

Directors' interests in ordinary shares

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

	31 March 2022	31 March 2021
Simon Douglas	**–**	–
Jag Grewal	**235,746**	235,746
Chris Lea	**–**	–
Jeremy Millard	**525,000**	525,000

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

As part of the fund raise completed on 8 June 2022, each of the Directors' subscribed for an additional 500,000 shares.

Directors' share options

	At 1 April 2021	Granted during the year	Lapsed during the year	Exercised during the year	**At 31 March 2022**	Option price	Date of grant	Earliest exercise date	Expiry date
Jag Grewal	90,000*	–	–	–	**90,000**	14.5p	05/07/12	05/07/15	05/07/22
	610,000**	–	–	–	**610,000**	30.5p	25/02/14	25/02/17	25/02/24
	500,000***	–	–	–	**500,000**	15.4p	23/01/20	23/01/22	23/01/30
Jeremy Millard	333,334	–	–	–	**333,334**	10.0p	02/12/19	02/12/20	02/12/29
Simon Douglas	200,000	–	–	–	**200,000**	89.0p	05/03/21	05/03/22	05/03/31

On 8 June 2022, Simon Douglas and Jag Grewal waived their entitlement to the above options and were granted new awards under the Company's new Long-Term Incentive Plan.

The options granted above have vesting periods as noted below.

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

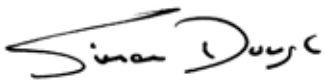
** Indicates the options have a vesting period of three years (due to a three-year service condition) and can be exercised if the market price of a share has been at 50 pence or higher on at least one occasion at any time on or after the third anniversary of the date of grant.

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

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

The share price at 31 March 2022 was 3.7 pence. The highest and lowest share prices during the year were 96.06 pence and 3.01 pence respectively.

Approved by the Board



Simon Douglas
Chairman
11 September 2022

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2022.

Principal activities

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

Results and dividends

The result for the year is a loss of £11.3 million (2021: loss of £2.1 million), which has been taken to reserves. The Directors do not propose to pay a dividend. The results are disclosed in more detail in the Strategic Report.

The Company's loss for the year ended 31 March 2022 is £2.8 million (2021: restated profit of £374,000). Further details regarding the restatement of 2021 profits are set out in Note 3.

Future development

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

Research and development

Details of research and development activity are contained in the Financial Review. Costs in the year amounted to £1.2 million (2021: £1.5 million). Costs of £0.6 million in relation to research and development activities (2021: £0.5 million) were expensed through the statement of comprehensive income and costs of £0.6 million in relation to product development (2021: £0.9 million) were capitalised and included within intangible assets as detailed in Note 10.

Directors

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

- Simon Douglas;
- Jag Grewal;
- Kieron Harbinson (resigned 30 August 2021);
- Colin King (resigned 18 January 2022);
- Jeremy Millard;
- William Rhodes (resigned 28 February 2022); and
- Chris Lea (appointed 30 August 2021).

Biographies of all Directors serving at the year-end are on page 24.

Directors' interests

The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report. There are no non-beneficial interests held by Directors. Each Director's number of shares purchased and sold during the year and their total holding at the year end are shown in the table below:

	Number of shares held at 31 March 2021	Number of shares purchased in year	Number of shares sold in year	**Number of shares held at 31 March 2022**
Simon Douglas	–	–	–	**–**
Jag Grewal	235,746	–	–	**235,746**
Jeremy Millard	525,000	–	–	**525,000**
Chris Lea	–	–	–	**–**

As part of the fund raise completed on 8 June 2022, each of the Directors' subscribed for an additional 500,000 shares.

Employees

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

Disabled employees

The Group gives full and fair consideration to applications for employment made by disabled people, having regard to their particular aptitudes and abilities. Where an employee becomes disabled in the course of their employment, where possible, arrangements will be made for appropriate retraining to match their abilities with their duties.

Treasury policy and financial risk management

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

Auditors

The auditors, Ernst & Young LLP, will not continue in office. A resolution for the appointment of RSM UK Audit LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

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

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

Major interests in shares

As at 30 June 2022, the following shareholders have notified the Group that they hold 3% or more of the Group's issued ordinary share capital:

Shareholder	Shares	Percentage
Hargreaves Lansdown, stockbrokers (EO)	49,795,390	20.95%
Interactive Investor (EO)	31,433,952	13.23%
Spreadex Limited	23,029,621	9.69%
HSDL, stockbrokers (EO)	22,308,711	9.39%
IG Markets, stockbrokers (EO)	13,082,499	5.50%
AJ Bell, stockbrokers (EO)	12,727,525	5.35%
Barclays Smart Investors (EO)	12,575,845	5.29%
Walkers Crips Investment Management	9,767,752	4.11%
Argon Financial	9,096,686	3.83%
HSBC James Capel as principal	8,585,703	3.61%
Cantor Fitzgerald Europe	7,556,635	3.18%

Going concern

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 30 September 2023.

The Group realised a loss of £11.3 million for the year ended 31 March 2022 (2021: loss of £2.1 million). As at 31 March 2022, the Group had net current assets of £2.8 million, including a cash balance of £1.6 million and additionally had a overdraft facility of £2.0 million, which was undrawn. Subsequent to the year end, the overdraft facility was extended to 30 September 2022 on existing terms but following the sale of the CD4 business in July, Bank of Scotland have subsequently indicated it will not be renewed beyond this date. At the date of finalising these financial statements, the Group has cash in bank of £2.5 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.

In May and June 2022, the Group raised £2.2 million from shareholders through a placing and open offer/direct subscription, in order to finance the loss-making CD4 business through to eventual disposal. The sale of the CD4 business was concluded on 31 July 2022, with the Group subsequently receiving a cash payment of £0.5 million for the sale of fixed assets and a further £0.9 million for inventory on hand. A further £4.0 million is expected to be received, contingent on the successful outcome of an ongoing clinical study in Kenya which is expected to conclude in the final quarter of this calendar year. Royalty fees of 4% of Accubio's future CD4 revenues for the period to 31 December 2026 would also be due to be received, up to £1.0 million in aggregate.

The Directors have prepared trading and cash flow base case forecasts to 30 September 2023, taking into account the full anticipated proceeds from the sale of the CD4 business and have applied severe downside sensitivities and reverse stress tests to the base case forecasts. The sensitivities and 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:

- Not receiving any of the deferred consideration of £4.0 million arising from the sale of the CD4 business. This would require the VISITECT® CD4 test to fail to meet the agreed levels of sensitivity and specificity, the Group's response to the points raised in the study report to be dismissed and the World Health Organisation to officially de-list the product, removing it from the market entirely. The Directors consider that this final step will not be taken lightly as the test is unique. Should the product be de-listed, an evaluation of the time and costs associated with any remedial action is to be agreed between the Group and Accubio Limited, with the costs of any such action to be met from the deferred consideration held in escrow, subject to a maximum cap of £4.0 million. There is therefore a range of potential outcomes arising from the Kenyan trial, ranging from a cash receipt of £4.0 million to £nil, and the timing and quantum is, to an extent, outside of management's control.

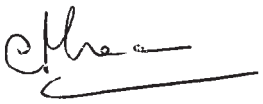
- Reduction in forecast revenue to £8.5 million per annum, in line with the year ended 31 March 2022, together with a 2% reduction in gross margin to 58%.
- After factoring the impact of the above sensitivities, the Directors considered certain discretionary cost mitigation measures which could be taken, including eliminating any new headcount, delaying the planned investments in product menu expansion and in establishing a US presence, further delaying the start of the lease for the new Ely premises and seeking recovery of liquidated damages in cash or through the benefit of a rent-free period. The severe downside forecast takes account of all of these mitigating actions that could be taken as needed, but does not include any new debt finance facilities which may be available to the Group. The Directors consider these mitigating actions to be under their direct control.
- After taking into account the above sensitivities and mitigating actions, the reverse stress test indicates revenue could fall by a further 38% 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 there is a reasonable prospect that no cash outflow in the form of a repayment to the DHSC and repayment is not included in the base case or as a sensitivity. However, the Director's 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 receipt of the CD4 sale proceeds of £4.0 million is dependent on the outcome of an ongoing, independent clinical study. Although the Directors are confident of a positive outcome from the trial and the receipt of the full amount of the deferred consideration, the precise timing and quantum is uncertain.

The Directors acknowledge there is an element of uncertainty within the going concern period attaching to the outcome of the DHSC dispute and the receipt of the CD4 deferred consideration. If both outstanding matters went against the Group to the maximum extent of £6.5 million, this may exhaust the available liquidity of the Company and Group and represents a material uncertainty which may cast significant doubt on the Company and Group's ability to continue as a going concern. Notwithstanding this material uncertainty, on the basis of the legal advice received in relation to the DHSC dispute, and our assessment that the conditions precedent prior to release of the CD4 contingent consideration will be achieved, the Board has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the period to 30 September 2023. 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.

By order of the Board



Chris Lea
Company Secretary
11 September 2022

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/ or the Group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Opinion

In our opinion:

- Omega Diagnostics Group PLC's Group financial statements and parent Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Omega Diagnostics Group PLC (the parent Company) and its subsidiaries (the "Group") for the year ended 31 March 2022 which comprise:

Group	Parent Company
Consolidated Statement of Comprehensive Income for the year ending 31 March 2022	Balance sheet as at 31 March 2022
Consolidated Balance Sheet as at 31 March 2022	Statement of Changes in Equity for the year ending 31 March 2022
Consolidated Statement of Changes in Equity for the year ending 31 March 2022	Statement of Cash Flows for the year ending 31 March 2022
Consolidated Statement of Cash Flows for the year ending 31 March 2022	Related notes 1 to 25 to the financial statements including a summary of significant accounting policies
Related notes 1 to 25 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards to the parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements on page 49, which indicates that, if the anticipated receipt of the CD4 contingent consideration of £4.0 million is not realised in combination with the Group being required to settle the £2.5 million pre-production payment from the DHSC which is currently in dispute, in the going concern review period to 30 September 2023, this may exhaust the available liquidity of the Company and Group. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and parent Company's ability to continue to adopt the going concern basis of accounting included:

Risk assessment and management's method

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process. We engaged with management and the Board throughout to ensure all key factors were considered in their assessment and changes to circumstances were being factored in accordingly;
- We obtained management's board approved forecast cash flows and accompanying paper covering the period of assessment from date of signing to 30 September 2023, the going concern period. The Group has modelled a number of scenarios, including base case, severe downside and reverse stress test, in their cash forecasts in order to incorporate the impact of current macro-economic conditions and impact of timing and ability to finance investment in product and geographical expansion;
- To challenge the completeness of this assessment, we have independently identified factors that may indicate events or conditions that may cast significant doubt on the Group and the parent Company's ability to continue as a going concern;

Material uncertainty related to going concern continued

Risk assessment and management's method continued

- We tested to ensure that the forecasts were mathematically accurate; and
- We also considered the consistency of information obtained from other areas of the audit such as the forecasts used for impairment and external sector trend reports.

Assumptions, stress testing and management's plans for future actions

- We challenged whether there was appropriate evidence to corroborate revenue and cost assumptions underlying management's assumptions on the Health and Nutrition business, comparing these against historic actual growth and trading results from 2019 through to 2022 and external market sector forecasts, to assess whether there was any indication of management bias;
- We received and challenged management's paper related to the DHSC dispute, as well as considered all legal and contractual documentation. In addition, we engaged with management specialists to independently corroborate chronology of the fact pattern as outlined by management, understand the basis for management conclusion and challenge the appropriateness of management's assumption to exclude any repayment for purposes of the cash flow forecasts;
- Reviewed the sale and purchase agreement related to the disposal of CD4, to challenge the assumptions adopted by management in the base case, severe downside sensitivities and reverse stress test forecasts, in particular in relation to the likelihood, timing and quantum of the amount expected to be received in the going concern period;
- We evaluated management's severe downside sensitivities and reverse stress testing on the forecasts to understand how severe the downside scenarios would have to be to result in the Group exhausting available liquidity; and
- We evaluated management's controllable cost mitigations, largely related to delaying planned investments in product menu expansion and in establishing a US presence, in order to determine whether such actions are within managements control, if timing of such would be feasible and appropriateness of amounts.

Liquidity

- We confirmed cash balances to bank confirmations at the balance sheet date; and
- We confirmed cash balance in August 2022 to bank statements, for confirming starting position of cash flow forecasts.

Disclosures

- We considered whether management's disclosures, in the Annual Report and financial statements, sufficiently and appropriately reflects the going concern assessment.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's and Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two components (audit scope is consistent with the prior year) • The components where we performed full audit procedures accounted for 93% of total gross margin, 98% of total revenue and 98% of total assets
Key audit matters	• Risk of inappropriate revenue recognition • Risk of inappropriate classification of costs and exceptional items between continuing and discontinued operations • Going concern
Materiality	• Group materiality of £96,000 which represents 1.88% of gross margin from continuing operations. • Company materiality of £200,000 (2021: £354,000), which is 0.95% of total assets of the Company (2021: 2% of total equity)

An overview of the scope of the parent Company and Group audits

Tailoring the scope

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

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

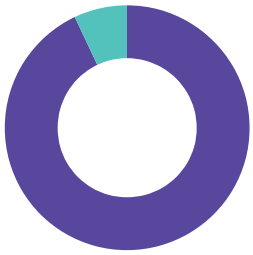
Of the two components selected, we performed an audit of the complete financial information of the complete financial information of those components (full scope components) which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 93% (2021: 96%) of the Group's total gross margin, 98% (2021: 97%) of the Group's total revenue and 98% (2021: 99%) of the Group's total assets.

Of the remaining one component that represents 7% of the Group's gross margin, we performed other procedures, including but not limited to analytical review, performing substantive audit procedures over cash including obtaining bank confirmations and testing of consolidation journals to respond to any potential risks of material misstatement to the Group financial statements.

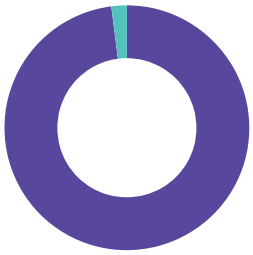
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Gross margin



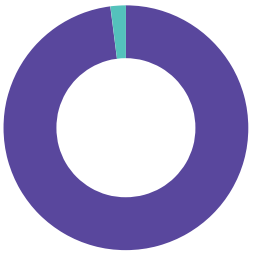
93% Full scope components
7% Other procedures

Revenue



98% Full scope components
2% Other procedures

Total assets



98% Full scope components
2% Other procedures

Changes from the prior year

There have been no changes in scope from prior year.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Our audit effort in considering climate change was focused on evaluating management's assessment that there is no impact of climate change risk, the adequacy of the disclosures in the financial statements and the conclusion that no issues were identified that would impact carrying value of assets with indefinite and long lives or have any other impact on the financial statements. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

Key audit matters

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

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition **31 March 2022 – £12.3m** **31 March 2021 – £8.7m** *Refer to the Note 2 – Accounting policies and Note 7 – Revenue and Expenses of the Consolidated Financial Statements* ISAs (UK) require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks. We have specifically identified the risk to be associated with cut-off for sales/shipments that occur before or after the year-end. This risk has not changed from the prior year.	Our audit response consisted of several procedures including those summarised below: • Perform walkthroughs of the revenue cycle at significant components to gain an understanding of when the revenue should be recognised, to map out the relevant controls end to end and the processes in place. We have assessed the design and implementation of these controls. • Perform analytical review procedures to identify any unusual sales trends as well as utilising computer assisted data analytics techniques to examine the correlation of revenue streams through debtors to cash; highlighting anomalies and non-routine transactions (business activities) and perform focused procedures on these transactions. • Interview a selection of key sales personnel to determine the existence of any side agreements or unusual arrangements which may impact when revenue can be recognised. • Perform substantive testing procedures including detailed transaction testing around the period end to ensure revenue had been recognised in the correct period and that transfer of risks and rewards of ownership were appropriately accounted for. • Examined post year end credit notes to ensure revenue recognised pre- year end was not reversed post year-end. We performed full scope audit procedures over this risk area in one component, which covered 98% of total revenue.	We communicated to the Audit Committee that: • Through management inquiries and our walkthrough procedures performed, we assessed the design and implementation of the controls in place to be appropriate. • After examination of the correlations between revenue streams through debtors to cash, no material issues were identified. • Through our journal entry testing, specifically revenue journal postings near year end and related to any judgements or assumptions applied by management, we had identified no material issues. Based on our audit procedures performed we have concluded that revenue is recognised appropriately in all material aspects.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate classification of costs and exceptional items between continuing and discontinued operations (loss from discontinued operations £9.9m, assets held for sale £5.0m) *Refer to the Note 2 – Accounting Policies and Note 8 – Discontinued Operations of the Consolidated Financial Statements* Following the decision to dispose of the Global Health segment in March 2022, the Group completed the disposal to Accubio on 31 July 2022. Management has reflected the results of the disposed operations as discontinued operations for all periods presented and classified the pertaining assets and liabilities within the Global Health as held for sale. The classification of costs and exceptional items between continuing and discontinued operations is determined to be a key audit matter. We consider there is incentive by management to classify costs as discontinuing and due the subjectivity involved, might give rise to potential fraud risks.	Our audit response consisted of several procedures including those summarised below: • Reviewed management's process and controls relating to the evaluation of whether the divestiture met the criteria for discontinued operations and assets held for sale in accordance with IFRS 5. • Assessed the classification of assets, liabilities and the results of operations that are classified as held for sale by inspecting the Group's accounting data and related adjustments including allocation of costs between continuing and discontinued operations, upholding a high degree of professional scepticism particularly around exceptional items. • Assessed the adequacy of disclosures presented in the financial statements surrounding assets held for sale and discontinued operations within the scope of IFRS.	We communicated to the Audit Committee that: • Through our review and challenge of management's assessment we have concluded that assets held for sale and discontinued operations satisfy the criteria under IFRS 5 within the financial year ended 31 March 2022 and the classification is therefore appropriate. • The fair value of assets held for sale and the impairment loss recognised on the remeasurement to fair value less costs has been calculated appropriately and correctly allocated between asset classifications. • Through supporting evidence obtained on a sample basis, applying additional scrutiny on exceptional items, we have confirmed the classification of costs within discontinued operations is appropriate. • We have concluded that disclosures presented in the financial statements with respect to assets held for sale and discontinued operations meet the requirements of IFRS 5. Based on the audit procedures performed we have concluded that there have been no issues of inappropriate classification of costs and exceptional items between continuing and discontinued operations and that appropriate disclosure has been made within the financial statements.

In the prior year, our Auditor's Report included a key audit matter in relation to a risk of inappropriate revenue recognition specifically in relation to new COVID-19 related contracts, however, following the reduced COVID-19 related activity in the current year, we do not assess this as a key audit matter for the current year audit.

Additionally, in the prior year, our Auditor's Report included key audit matters in relation to impairment of capitalised development costs and risk of inappropriate capitalisation of development costs. Following the classification of Global Health intangible assets as assets held for sale which has been captured by the key audit matters above, the risk of impairment over remaining intangible assets under continuing operations is not considered to be a key audit matter for the current year audit. Additionally, as Health and Nutrition capitalised development costs was less than our materiality in the current year, we have not considered the risk inappropriate capitalisation of development costs a key audit matter for the current year audit.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £96,000 (2021: £78,000), which is 1.88% (2021: 1.75%) of gross margin from continuing operations. We believe that gross margin is considered to be a key performance indicator by both management and shareholders. Furthermore, the use of profit before tax is not considered appropriate given the continued loss-making position of the continuing business. We have excluded discontinued operations results from our calculation as this we believe this is not a key performance indicator of management and shareholders.

We determined materiality for the parent Company to be £200,000 (2021: £354,000), which is 0.95% of Total Assets (2021: 2% of Total Equity). We believe that Total Assets is considered to be a key performance indicator by both management and shareholders.

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

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 75%) of our planning materiality, calculated to be £48,000 (2021: £59,000). We have set performance materiality at this percentage due to various considerations including the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the internal control environment and other factors affecting the entity and its financial reporting.

Audit procedures at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to the two in-scope components was £45,000 (2021: £44,000 to £53,000).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £4,800 (2021: £3,200), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 34 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS and the Companies Act 2006), and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations in relation to health and safety and employee matters.
- We understood how the Group is complying with those frameworks by making enquiries of management including those who are responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management, including within various parts of the business, to understand where they considered there was susceptibility to fraud. Where the risk was considered higher, we performed specific procedures including testing of manual journals to provide reasonable assurance that the financial statements were free from fraud and error. Further details of the procedures performed over revenue and our observations are included in the key audit matters section of this report. Additionally, details of the procedures performed over classification of costs, including exceptional items, between continuing and discontinued operations and our observations are also included in the key audit matters section of this report. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included review of board minutes, review of management reports made to the Audit Committee, enquiries of external legal Counsel, enquiries of management as well as the application of data analytical tools with a focus on manual journals and transactions that have heightened risk by nature.

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

Use of our report

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

Ernst & Young LLP

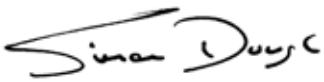
Paul Copland (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditors
Edinburgh
11 September 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2022

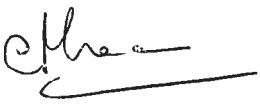
	Note	2022 £'000	2021 £'000
Continuing operations			
Revenue	7	**8,539**	6,816
Cost of sales		**(3,437)**	(2,820)
Gross profit		**5,102**	3,996
Administration costs		**(4,438)**	(3,638)
Selling and marketing costs		**(1,256)**	(980)
Other income	7	**–**	154
Operating loss before exceptional items	7	**(592)**	(468)
Exceptional items	7	**(337)**	–
Operating loss after exceptional items		**(929)**	(468)
Finance costs	5	**(21)**	(78)
Loss before taxation		**(950)**	(546)
Tax (expense)/credit	6	**(459)**	931
(Loss)/profit for the year from continuing operations		**(1,409)**	385
Discontinued operations			
Loss after tax for the year from discontinued operations	8	**(9,924)**	(2,489)
Loss for the year		**(11,333)**	(2,104)
Other comprehensive income/(losses) to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		**10**	(3)
Tax credit		**–**	2
Other comprehensive income/(losses) for the year		**10**	(1)
Total comprehensive losses for the year		**(11,323)**	(2,105)
Earnings per share (EPS)			
Basic and diluted EPS on loss for the year	9	**(6.2)p**	(1.2)p
Earnings per share for continuing operations			
Basic and diluted EPS on (loss)/profit for the year from continuing operations	9	**(0.9)p**	0.2p

	Note	2022 £'000	As restated* 2021 £'000
ASSETS			
Non-current assets			
Intangibles	10	**4,745**	9,892
Property, plant and equipment	11	**1,138**	3,078
Right of use assets	11	**106**	1,801
Deferred taxation	12	**1,107**	2,535
Total non-current assets		**7,096**	17,306
Current assets			
Inventories	14	**1,094**	2,238
Trade and other receivables	15	**3,045**	4,175
Cash and cash equivalents	16	**1,605**	5,827
Total current assets		**5,744**	12,240
Assets held for sale	8	**4,995**	–
Total assets		**17,835**	29,546
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**8,044**	8,028
Share premium		**25,340**	25,288
Retained deficit		**(21,537)**	(9,891)
Translation reserve		**(31)**	(41)
Total equity		**11,816**	23,384
Liabilities			
Non-current liabilities			
Long-term borrowings	18	**51**	712
Lease liabilities	11	**23**	1,753
Deferred income	19	**2,500**	647
Total non-current liabilities		**2,574**	3,112
Current liabilities			
Short-term borrowings	18	**204**	206
Lease liabilities	11	**92**	172
Trade and other payables	20	**2,674**	2,672
Total current liabilities		**2,970**	3,050
Liabilities directly associated with assets held for sale	8	**475**	–
Total liabilities		**6,019**	6,162
Total equity and liabilities		**17,835**	29,546

* See note 3 for details regarding the restatement.



Simon Douglas
Non-Executive Chairman
11 September 2022



Chris Lea
Chief Financial Officer
11 September 2022

Omega Diagnostics Group PLC
Registered number: 5017761

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2022

	Note	Share capital £'000	Share premium £'000	As restated* Retained deficit £'000	Translation reserve £'000	As restated* Total £'000
Balance at 31 March 2020 as reported		6,752	15,258	(8,364)	(38)	13,608
Development costs written off	3	–	–	(290)	–	(290)
Restated balance at 31 March 2020		6,752	15,258	(8,654)	(38)	13,318
Loss for year ended 31 March 2021		–	–	(2,104)	–	(2,104)
Other comprehensive losses – net exchange adjustments		–	–	–	(3)	(3)
Other comprehensive income – tax credit		–	–	2	–	2
Total comprehensive losses for the year		–	–	(2,102)	(3)	(2,105)
Issue of share capital for cash consideration		1,276	10,581	–	–	11,857
Expenses in connection with share issue		–	(551)	–	–	(551)
Share-based payments		–	–	270	–	270
Deferred tax credit related to share-based payments		–	–	595	–	595
Restated 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)
Share options exercised		16	52	–	–	68
Share-based payments		–	–	282	–	282
Deferred tax debit related to share-based payments		–	–	(595)	–	(595)
Balance at 31 March 2022		**8,044**	**25,340**	**(21,537)**	**(31)**	**11,816**

* See note 3 for details regarding the restatement.

	Note	2022 £'000	As restated* 2021 £'000
Cash flows generated from operations			
Loss for the year from continuing operations		**(1,409)**	385
Loss for the year from discontinued operations		**(9,924)**	(2,489)
Adjustments for:			
Gain on disposal of fixed assets		**(7)**	–
Loss on disposal of Alva site fixed assets		**226**	–
Depreciation	11	**671**	461
Amortisation of intangible assets	10	**618**	425
Impairment and derecognition of intangible assets	10	**47**	–
Impairment loss recognised on the remeasurement to fair value	8	**1,915**	–
Share-based payments		**282**	270
Taxation		**833**	(1,435)
Omega Diagnostic GmbH liability settlement		**(126)**	–
Finance costs	5	**180**	218
Cash outflow from operating activities before working capital movement		**(6,694)**	(2,165)
Increase/(decrease) in trade and other receivables		**1,130**	(887)
Increase/(decrease) in inventories		**480**	(1,069)
(Increase)/decrease in trade and other payables		**(137)**	1,072
Movement in grants		**(8)**	(8)
Receipt of advance funding from the DHSC		**2,000**	500
Taxation received		**–**	138
Cash outflow from operating activities		**(3,229)**	(2,419)
Investing activities			
Income from sale of property, plant and equipment		**985**	–
Purchase of property, plant and equipment	11	**(968)**	(1,965)
Purchase of intangible assets		**(510)**	(860)
Net cash used in investing activities		**(493)**	(2,825)
Financing activities			
Finance costs	5	**(2)**	(29)
Proceeds from issue of share capital		**68**	11,857
Expenses in connection with share issue		**–**	(551)
New asset finance arrangements		**–**	796
Repayment of overdraft facility		**–**	(565)
Principal portion of asset finance payments		**(198)**	(96)
Interest portion of asset finance payments		**(34)**	(13)
Principal portion of lease liability payments		**(192)**	(149)
Interest portion of lease liability payments		**(144)**	(176)
Net cash (outflow)/inflow from financing activities		**(502)**	11,074
Net (decrease)/increase in cash and cash equivalents		**(4,224)**	5,830
Effects of exchange rate movements		**2**	(3)
Cash and cash equivalents at beginning of year		**5,827**	–
Cash and cash equivalents at end of year		**1,605**	5,827

* See note 3 for details regarding the restatement.

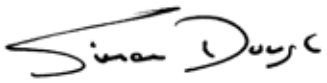
COMPANY BALANCE SHEET
as at 31 March 2022

	Note	2022 £'000	As restated* 2021 £'000
ASSETS			
Non-current assets			
Investments	13	**3,100**	4,661
Intangibles		**–**	31
Deferred tax	12	**–**	1,070
Total non-current assets		**3,100**	5,762
Current assets			
Trade and other receivables	15	**16,898**	12,881
Cash and cash equivalents	16	**1,045**	5,543
Total current assets		**17,943**	18,424
Total assets		**21,043**	24,186
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**8,416**	8,400
Share premium		**25,957**	25,905
Retained deficit		**(13,727)**	(10,785)
Total equity		**20,646**	23,520
Liabilities			
Current liabilities			
Trade and other payables	20	**397**	666
Total current liabilities		**397**	666
Total liabilities		**397**	666
Total equity and liabilities		**21,043**	24,186

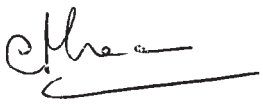
* See note 3 for details regarding the restatement.

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

The Company loss in the year was £2,832,000 (2021: restated profit of £374,000). Further details regarding the restatement of 2021 profit in the year are set out in Note 3.



Simon Douglas
Non-Executive Chairman
11 September 2022



Chris Lea
Chief Financial Officer
11 September 2022

Omega Diagnostics Group PLC
Registered number: 5017761

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2022

	Note	Share capital £'000	Share premium £'000	As retained* Retained deficit £'000	As restated* Total £'000
Balance at 31 March 2020 as reported		7,125	15,875	(11,393)	11,607
Restatement of 2019 profit for Omega Diagnostics GmbH liability	3	–	–	(430)	(430)
Restated balance at 31 March 2020		7,125	15,875	(11,823)	11,177
Profit for the year ended 31 March 2021 as reported		–	–	513	513
Restatement of 2021 profit for share-based payments	3	–	–	(139)	(139)
Profit for the year ended 31 March 2021 as restated		–	–	374	374
Other comprehensive income – tax credit		–	–	2	2
Total comprehensive income for the year as restated		–	–	376	376
Issue of share capital for cash consideration		1,275	10,581	–	11,856
Expenses in connection with share issue		–	(551)	–	(551)
Share-based payments as restated	3	–	–	270	270
Deferred tax credit related to share-based payments		–	–	392	392
Restated 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		–	–	282	282
Deferred tax debit related to share-based payments		–	–	(392)	(392)
Balance at 31 March 2022		**8,416**	**25,957**	**(13,727)**	**20,646**

* See note 3 for details regarding the restatement.

COMPANY CASH FLOW STATEMENT
for the year ended 31 March 2022

	2022 £'000	As restated* 2021 £'000
Cash flows generated from operations		
(Loss)/profit for the year	**(2,832)**	374
Adjustments for:		
Taxation	**678**	(376)
Impairment of subsidiaries	**1,685**	–
Share-based payments	**158**	131
Finance costs	**31**	28
Cash (outflow)/inflow before working capital movement	**(280)**	157
Increase in trade and other receivables excluding intercompany financing	**(22)**	(15)
(Decrease)/increase in trade and other payables	**(269)**	11
Cash (outflow)/inflow from operating activities	**(571)**	153
Investing activities		
Intercompany transfer of intangible assets	**31**	–
Transfers of cash to subsidiary companies	**(19,806)**	(14,220)
Transfers of cash from subsidiary companies	**15,811**	9,327
Investment in subsidiaries	**–**	(105)
Net cash used in investing activities	**(3,964)**	(4,998)
Financing activities		
Finance costs	**(31)**	(28)
Proceeds from issue of share capital	**68**	11,856
Expenses of share issue	**–**	(551)
Repayment of overdraft facility	**–**	(889)
Net cash inflow from financing activities	**37**	10,388
Net (decrease)/increase in cash and cash equivalents	**(4,498)**	5,543
Cash and cash equivalents at beginning of year	**5,543**	–
Cash and cash equivalents at end of year	**1,045**	5,543

* See note 3 for details regarding the restatement.

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 2022 were authorised for issue by the Board of Directors on 11 September 2022, 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

Prior year restatements

A number of adjustments have been made for figures reported in prior years and these adjustments are set out in Note 3. In addition, a number of reclassifications have been made to amounts previously reported to ensure consistency of presentation between reporting periods.

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 8. 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

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 30 September 2023. The Group realised a loss of £11.3 million for the year ended 31 March 2022 (2021: loss of £2.1 million). As at 31 March 2022, the Group had net current assets of £2.8 million, including a cash balance of £1.6 million and additionally had a overdraft facility of £2.0 million, which was undrawn. Subsequent to the year end, the overdraft facility was extended to 30 September 2022 on existing terms but following the sale of the CD4 business in July, Bank of Scotland have subsequently indicated it will not be renewed beyond this date. At the date of finalising these financial statements, the Group has cash in bank of £2.5 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.

2 Accounting policies continued

Going concern continued

In May and June 2022, the Group raised £2.2 million from shareholders through a placing and open offer/direct subscription, in order to finance the loss-making CD4 business through to eventual disposal. The sale of the CD4 business was concluded on 31 July 2022, with the Group subsequently receiving a cash payment of £0.5 million for the sale of fixed assets and a further £0.9 million for inventory on hand. A further £4.0 million is expected to be received, contingent on the successful outcome of an ongoing clinical study in Kenya which is expected to conclude in the final quarter of this calendar year. Royalty fees of 4% of Accubio's future CD4 revenues for the period to 31 December 2026 would also be due to be received, up to £1.0 million in aggregate.

The Directors have prepared trading and cash flow base case forecasts to 30 September 2023, taking into account the full anticipated proceeds from the sale of the CD4 business and have applied severe downside sensitivities and reverse stress tests to the base case forecasts. The sensitivities and 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:

- Not receiving any of the deferred consideration of £4.0 million arising from the sale of the CD4 business. This would require the VISITECT® CD4 test to fail to meet the agreed levels of sensitivity and specificity, the Group's response to the points raised in the study report to be dismissed and the World Health Organisation to officially de-list the product, removing it from the market entirely. The Directors consider that this final step will not be taken lightly as the test is unique. Should the product be de-listed, an evaluation of the time and costs associated with any remedial action is to be agreed between the Group and Accubio Limited, with the costs of any such action to be met from the deferred consideration held in escrow, subject to a maximum cap of £4.0 million. There is therefore a range of potential outcomes arising from the Kenyan trial, ranging from a cash receipt of £4.0 million to £nil, and the timing and quantum is, to an extent, outside of management's control.
- Reduction in forecast revenue to £8.5 million per annum, in line with the year ended 31 March 2022, together with a 2% reduction in gross margin to 58%.
- After factoring the impact of the above sensitivities, the Directors considered certain discretionary cost mitigation measures which could be taken, including eliminating any new headcount, delaying the planned investments in product menu expansion and in establishing a US presence, further delaying the start of the lease for the new Ely premises and seeking recovery of liquidated damages in cash or through the benefit of a rent-free period. The severe downside forecast takes account of all of these mitigating actions that could be taken as needed, but does not include any new debt finance facilities which may be available to the Group. The Directors consider these mitigating actions to be under their direct control.
- After taking into account the above sensitivities and mitigating actions, the reverse stress test indicates revenue could fall by a further 38% 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 there is a reasonable prospect that no cash outflow in the form of a repayment to the DHSC and repayment is not included in the base case or as a sensitivity. However, the Director's 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 receipt of the CD4 sale proceeds of £4.0 million is dependent on the outcome of an ongoing, independent clinical study. Although the Directors are confident of a positive outcome from the trial and the receipt of the full amount of the deferred consideration, the precise timing and quantum is uncertain.

The Directors acknowledge there is an element of uncertainty within the going concern period attaching to the outcome of the DHSC dispute and the receipt of the CD4 deferred consideration. If both outstanding matters went against the Group to the maximum extent of £6.5 million, this may exhaust the available liquidity of the Company and Group and represents a material uncertainty which may cast significant doubt on the Company and Group's ability to continue as a going concern. Notwithstanding this material uncertainty, on the basis of the legal advice received in relation to the DHSC dispute, and our assessment that the conditions precedent prior to release of the CD4 contingent consideration will be achieved, the Board has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the period to 30 September 2023. 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.

2 Accounting policies continued

Intangible assets continued

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.

2 Accounting policies continued

Impairment of assets continued

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.

2 Accounting policies continued

Financial instruments continued

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 the significant risks and rewards of ownership are transferred to the customer. This will be when goods have been despatched and the collection of the related receivable is reasonably assured. Revenue relates to the sale of medical diagnostic kits. Revenue relating to the provision of technical services is recognised upon completion of staged contractual obligations.

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

Equity-settled transactions

For equity-settled transactions, the Group measures the award by reference to the fair value at the date at which they are granted and it is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. 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.

2 Accounting policies continued

Share-based payments continued

Equity-settled transactions continued

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 subsidiary. 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.

2 Accounting policies continued

Income taxes continued

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 2022, 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 the reporting date is £5.0 million (see note 8), 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 this calendar year 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 Restatement of comparatives

Group

Intangible assets

Following a review of intangible assets, one project has been identified which was not adequately defined in previous reporting periods and which does not meet the requirements of IAS 38, in that the probability of generating future economic benefits arising from the development expenditure cannot be established. The capitalised costs relating to this project are £235,000, all of which were incurred prior to 1 April 2020 and were incorrectly capitalised at the time.

In addition, a legacy research and development project valued at £55,000 has been identified which relates to the Group's infectious disease business, which was sold in June 2018. This amount was incorrectly not written off in the year ended 31 March 2019.

3 Restatement of comparatives continued

Group continued

Intangible assets continued

The costs associated with both of these projects have been written off effective 31 March 2020 through means of a prior year adjustment in accordance with the requirements of IAS 8, resulting in a reduction of the carrying value of intangible assets of £290,000 as at that date. There has been no impact on the earnings reported for the years ended 31 March 2021 or 2020.

Deferred tax

Historically, deferred tax assets and liabilities were incorrectly reported as separate balances in prior years. The 31 March 2021 balance sheet has been restated to net off the deferred tax asset and liability, reducing the previously reported deferred tax asset by £1,153,000 with a corresponding reduction in the deferred tax liability. The 31 March 2020 balance sheet has been restated to net off the deferred tax liability asset and liability, reducing the previously reported deferred tax asset by £899,000 with a corresponding reduction in the deferred tax liability.

Deferred income

In the year ended 31 March 2021 the prepayment of £500,000 from the DHSC was incorrectly presented within trade and other payables. This amount has been reclassified as deferred income in the balance sheet as at 31 March 2021 with a corresponding reduction in trade and other payables. The presentation of the consolidated cash flow statement has also been restated. There is no impact to the consolidated statement of comprehensive income.

The effect of the restatements noted above on the consolidated balance sheet as at 31 March 2021 is as follows:

	As reported 2021 £'000	Restatement 2021 £'000	As restated 2021 £'000
ASSETS			
Non-current assets			
Intangibles	10,182	(290)	9,892
Property, plant and equipment	3,078	–	3,078
Right of use assets	1,801	–	1,801
Deferred taxation	3,688	(1,153)	2,535
Total non-current assets	18,749	(1,443)	17,306
Current assets			
Inventories	2,238	–	2,238
Trade and other receivables	4,175	–	4,175
Cash and cash equivalents	5,827	–	5,827
Total current assets	12,240	–	12,240
Total assets	**30,989**	**(1,443)**	**29,546**
EQUITY AND LIABILITIES			
Equity			
Issued capital	33,316	–	33,316
Retained deficit	(9,601)	(290)	(9,891)
Translation reserve	(41)	–	(41)
Total equity	23,674	(290)	23,384
Liabilities			
Non-current liabilities			
Long-term borrowings	712	–	712
Lease liabilities	1,753	–	1,753
Deferred tax	1,153	(1,153)	–
Deferred income	147	500	647
Total non-current liabilities	3,765	(653)	3,112
Current liabilities			
Short-term borrowings	206	–	206
Lease liabilities	172	–	172
Trade and other payables	3,172	(500)	2,672
Total current liabilities	3,550	(500)	3,050
Total liabilities	7,315	(1,153)	6,162
Total equity and liabilities	**30,989**	**(1,443)**	**29,546**

3 Restatement of comparatives continued

Group continued

The effect of the restatements noted above on the consolidated cash flow statements as at 31 March 2021 is as follows:

	As reported 2021 £'000	Restatement 2021 £'000	As restated 2021 £'000
Increase in trade and other payables	1,572	(500)	1,072
Receipt of advance funding from DHSE	–	500	500

The effect of the restatements noted above on the consolidated balance sheet as at 31 March 2020 is as follows:

	As reported 2020 £'000	Restatement 2020 £'000	As restated 2020 £'000
ASSETS			
Non-current assets			
Intangibles	9,677	(290)	9,387
Property, plant and equipment	1,432	–	1,432
Right of use assets	1,732	–	1,732
Deferred taxation	1,538	(899)	639
Total non-current assets	14,379	(1,189)	13,190
Current assets			
Inventories	1,169	–	1,169
Trade and other receivables	3,288	–	3,288
Cash and cash equivalents	–	–	–
Total current assets	4,457	–	4,457
Total assets	**18,836**	**(1,189)**	**17,647**
EQUITY AND LIABILITIES			
Equity			
Issued capital	22,011	–	22,011
Retained deficit	(8,364)	(290)	(8,654)
Translation reserve	(38)	–	(38)
Total equity	13,609	(290)	13,319
Liabilities			
Non-current liabilities			
Long-term borrowings	131	–	131
Lease liabilities	1,704	–	1,704
Deferred tax	899	(899)	–
Deferred income	155	–	155
Total non-current liabilities	2,889	(899)	1,990
Current liabilities			
Short-term borrowings	86	–	86
Lease liabilities	87	–	87
Bank overdraft	565	–	565
Trade and other payables	1,600	–	1,600
Total current liabilities	2,338	–	2,338
Total liabilities	5,227	(899)	4,328
Total equity and liabilities	**18,836**	**(1,189)**	**17,647**

3 Restatement of comparatives continued

Company

Omega Diagnostics GmbH settlement

The €500,000 (£430,000) liability associated with the liquidation of Omega Diagnostics GmbH was reported in the financial statements of the Group for the year ended 31 March 2019. Whilst the liability was correctly reflected in the Group financial statements, the liability was the legal responsibility of Omega Diagnostics Group PLC and should also have been reflected in the Company's balance sheet as at 31 March 2021, 31 March 2020 and 31 March 2019. These balances have restated to include the liability of £430,000, with a corresponding increase in the Company's total opening retained earnings deficit. This liability was settled for €350,000 (£304,000) in August 2021 with a corresponding exceptional gain of £126,000 included within discontinued activities in both the Group statement of comprehensive income for the year ended 31 March 2022 and the Company's loss for the year ended 31 March 2022.

The effects of the restatements noted above on the Company balance sheet as at 31 March 2021 and 31 March 2020 are as follows:

	As reported 2021 £'000	Restatement 2021 £'000	As restated 2021 £'000
Retained deficit	(10,355)	(430)	(10,785)
Total equity	23,950	(430)	23,520
Trade and other payables	236	430	666
Total current liabilities	236	430	666
Total liabilities	236	430	666

	As reported 2020 £'000	Restatement 2020 £'000	As restated 2020 £'000
Retained deficit	(11,393)	(430)	(11,823)
Total equity	11,607	(430)	11,177
Trade and other payables	226	430	656
Total current liabilities	1,115	430	1,545
Total liabilities	1,115	430	1,545

Share-based payment expense

The Company's share-based payment expense of £139,000 for the year ended 31 March 2021 in respect of employees of the subsidiary company Omega Diagnostics Limited was incorrectly credited through comprehensive income for the year instead of being recorded through share-based payment reserves included within retained deficit. The Company's 2021 results have been restated to reverse the incorrect credit to comprehensive income resulting in a reduction in the Company only profit for the year ended 31 March 2021 of £139,000 with the offset being recorded through the "share-based payments" line within retained deficit. There is no change to the Company's total retained deficit or net assets as at 31 March 2021.

	As reported 31 March 2021 £'000	Restatement £'000	As restated 31 March 2021 £'000
Company profit for the year	513	(139)	374

4 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.

4 Segmental information continued

Business segment information

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)
Exceptional items	–	337	337
Share-based payment charges	58	158	216
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 costs	–	(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)**

2021	Health and Nutrition £'000	Corporate £'000	Total £'000
Revenue	6,937	–	6,937
Inter-segment revenue	(121)	–	(121)
Total revenue	6,816	–	6,816
Cost of sales	(2,820)	–	(2,820)
Gross profit	3,996	–	3,996
Operating costs	(3,090)	(1,374)	(4,464)
Operating profit/(loss) before exceptional items	906	(1,374)	(468)
Exceptional items	–	–	–
Operating profit/(loss) after exceptional items	906	(1,374)	(468)
Depreciation	179	–	179
Amortisation	178	–	178
EBITDA	1,263	(1,374)	(111)
Share-based payment charges	72	131	203
Adjusted EBITDA	1,335	(1,243)	92
Share-based payment charges	(72)	(131)	(203)
Depreciation	(179)	–	(179)
Amortisation	(178)	–	(178)
Net finance costs	(50)	(28)	(78)
Profit/(loss) before tax	856	(1,402)	(546)
Share-based payment charges	72	131	203
Amortisation	108	–	108
Adjusted profit/(loss) before tax	1,036	(1,271)	(235)

4 Segmental information continued

Business segment information continued

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:

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**

The assets and liabilities held for sale at 31 March 2022 are detailed in Note 8 – discontinued operations.

2021	As restated* Health and Nutrition £'000	As restated* Global Health £'000	As restated* Corporate £'000	As restated* Total £'000
Segment assets	9,890	11,243	51	21,184
Unallocated assets	–	–	–	8,362
Total assets	9,890	11,243	51	29,546
Segment liabilities	1,201	4,295	666	6,162
Unallocated liabilities	–	–	–	–
Total liabilities	1,201	4,295	666	6,162

* See note 3 for details regarding the restatement.

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 £1,369,000, 16.0% (2021: £1,336,000, 19.6%) 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.

	2022 £'000	2021 £'000
Revenues		
UK	**470**	402
Rest of Europe	**2,605**	1,777
North America	**1,742**	842
South/Central America	**500**	269
India	**513**	293
Asia and the Far East	**1,503**	2,592
Africa and the Middle East	**1,206**	641
	8,539	6,816

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**

4 Segmental information continued

Geographical information continued

2021	Intangibles £'000	Property, plant and equipment £'000	Inventories £'000	Trade and other receivables £'000	Total £'000
Assets					
UK	9,890	4,871	2,165	4,092	21,018
India	2	8	73	83	166
Unallocated assets	–	–	–	–	8,362
Total assets	9,892	4,879	2,238	4,175	29,546

	2022 £'000	2021 £'000
Liabilities		
UK	**2,829**	3,230
India	**76**	89
Unallocated liabilities	**2,639**	2,843
Total liabilities	**5,544**	6,162
Capital expenditure		
Health and Nutrition	**275**	142
Global Health and Other	**693**	1,823
Total capital expenditure	**968**	1,965
Intangible expenditure		
Health and Nutrition	**92**	371
Global Health and Other	**489**	559
Total intangible expenditure	**581**	930

5 Finance costs

Consolidated	**2022 £'000**	2021 £'000
Interest payable on bank overdraft	**2**	29
Interest payable on lease liabilities	**15**	43
Interest on hire purchase and asset finance arrangements	**4**	6
	21	78

6 Taxation

Consolidated – continuing operations	**2022 £'000**	2021 £'000
(a) Tax credited/(charged) in the income statement		
Current tax – prior year adjustment	**–**	27
Deferred tax – current year	**(455)**	960
Deferred tax – prior year adjustment	**(4)**	(56)
	(459)	931

Consolidated – continuing operations	**2022 £'000**	2021 £'000
(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax on net exchange adjustments	**–**	2
Total tax credit	**–**	2

6 Taxation continued

Consolidated – continuing operations	2022 £'000	2021 £'000
(c) Reconciliation of total tax charge/(credit)		
Factors affecting the tax charge/(credit) for the year:		
Loss before tax	**(950)**	(546)
Effective rate of taxation	**19%**	19%
Loss before tax multiplied by the effective rate of tax	**(180)**	(104)
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**34**	12
Exercised employee share option gains deductible for tax purposes – income tax	**–**	(495)
Notional gains on unexercised employee share option gains deductible in future years – deferred tax	**369**	(369)
Adjustments in respect of previous periods – deferred tax	**(4)**	–
Deferred tax not recognised	**235**	–
Other permanent differences	**–**	29
Adjustment due to different overseas tax rate	**5**	(4)
Tax charge/(credit) for the year	**459**	(931)

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate from 19% to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted on 24 May 2021 and they have been reflected in the measurement of deferred tax balances at the period end.

7 Revenue and expenses

Consolidated – continuing operations	2022 £'000	2021 £'000
Revenue and other income		
Revenue – sales of goods	**8,539**	6,816
Other income	**–**	154
Total revenue and other income	**8,539**	6,970

Other income for prior year relates to contributions toward specific product development from one customer and estimated Research and Development Expenditure Credit (RDEC) income for the year.

Consolidated – continuing operations	2022 £'000	As restated* 2021 £'000
Operating profit is stated after charging:		
Material costs	**2,107**	1,762
Depreciation including right of use asset depreciation	**194**	179
Amortisation of intangibles	**353**	203
Net foreign exchange losses	**10**	134
Research and development costs	**343**	133
Low value lease rentals	**15**	6
Share-based payments	**216**	203
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the annual accounts:	**65**	50
Local statutory audit of subsidiaries	**85**	70
Local statutory audit of the parent company	**10**	10
Fees payable to the Company's auditors for other services:		
Taxation compliance	**10**	15
Taxation advisory	**–**	6

* See note 3 for details regarding the restatement.

Audit fees above relate to total operations.

7 Revenue and expenses continued

Exceptional items summary

	2022 Continuing operations £'000	2021 Continuing operations £'000
Compensation for loss of office	(287)	–
Aborted placing costs	(50)	–
Total	(337)	–

Staff costs

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

Consolidated	2022 Number	2021 Number
Operations	42	35
Management and administration	43	44
Employee numbers	85	79

Their aggregate remuneration comprised:

Consolidated	2022 £'000	2021 £'000
Wages and salaries	3,492	3,199
Social security costs	352	320
Pension costs	129	115
Share-based payments	216	203
	4,189	3,837

No personnel expenses are paid directly by the Company.

Equity-settled share-based payments

Consolidated and Company

The share-based payment plans are described below.

2007 EMI Option Scheme and 2020 EMI Option Scheme

The plans are equity-settled plans and the fair value is measured at the grant date. Under the above plans, share options are granted to Directors and employees of the Company. The exercise price of the option is equal to the market price of the shares on the date of grant. The options for the 2007 EMI Option Scheme vest three years after the date of grant. The options for the 2020 EMI Option Scheme vest two years after the date of grant. The rules for these schemes allow for performance criteria to be applied in appropriate cases. Performance criteria include share price hurdles and these are detailed in the Directors' Remuneration Report.

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

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

Third Unapproved Option Scheme (TUOS)

The plan is an equity-settled plan and the fair value is measured at the grant date. Under the above plan, share options may be granted to Directors and third parties. The exercise price of the option is equal to the market price of the shares on the date of grant. One third of the options vests one year after grant, another third vests two years after grant and the final third vests three years after grant.

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

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

On 9 June 2022 Simon Douglas was granted options of 200,000 shares with an exercise price of 4.0 pence.

7 Revenue and expenses continued

Equity-settled share-based payments continued

Long-Term Incentive Plan (LTIP)

On 2 June 2022, the Company established the Omega Diagnostics PLC Long-Term Incentive Plan as a new scheme to incentivise Executive Directors and certain senior managers to deliver long-term value for shareholders.

On 8 June 2022, the following nil cost options were awarded over the following number of ordinary shares:

	Retention Award	Performance Award
Jag Grewal	1,200,000	4,700,715
Chris Lea	1,000,000	4,339,121

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

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

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

	2022 Number	**2022 WAEP**	As restated 2021 Number	2021 WAEP
Outstanding at 1 April	**9,827,074**	**19p**	13,470,406	18p
Granted during the year under the 2020 EMI Scheme	**–**	**–**	50,000	53p
Granted during the year under the TUOS	**–**	**–**	200,000	80p
Exercised during the year*	**(50,000)**	**–**	(3,683,332)	–
Lapsed during the year under the EMI Option Scheme	**(1,938,334)**	**–**	(210,000)	–
Outstanding at 31 March 2022	**7,838,740**	**19p**	9,827,074	19p
Exercisable at 31 March 2022	**7,472,073**	**–**	5,435,406	–

* 300,000 shares were exercised on 31st March 2021 with the shares admitted to AIM and the cash settlement taking place in the year ended 31 March 2022.

The following table lists the inputs to the model used for the year ended 31 March 2021. There were no share options granted in the year ended 31 March 2022.

	EMI Option Scheme, 2020 EMI Scheme and TUOS scheme
	2021
Dividend yield	–
Expected volatility	226%
Risk-free interest rate	5%
Weighted average remaining contractual life	3.4 years
Weighted average share price	74.60p
Exercise price	74.60p
Model used	Black-Scholes

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

Directors' remuneration

Consolidated	**2022 £'000**	2021 £'000
Fees	**37**	40
Emoluments	**885**	561
	922	601
Contributions to personal pension	**22**	25
	944	626
Members of a defined contribution pension scheme at the year end	**2**	3

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

8 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.

	2022 £'000	2021 £'000
Revenue	**3,789**	1,919
Cost of sales	**(4,773)**	(1,456)
Gross (loss)/profit	**(984)**	463
Administration costs	**(4,832)**	(2,964)
Selling and marketing costs	**(640)**	(499)
Other income	**8**	147
Operating loss before exceptional items	**(6,448)**	(2,853)
Exceptional items	**(1,028)**	–
Operating loss after exceptional items	**(7,476)**	(2,853)
Finance costs	**(159)**	(140)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(1,915)**	–
Loss before taxation	**(9,550)**	(2,993)
Tax benefit/(expense):		
Related to pre-tax loss from the ordinary activities for the period	**(738)**	504
Related to measurement to fair value less costs to sell	**364**	–
Loss for the year from discontinued activities	**(9,924)**	(2,489)

Adjusted loss before taxation

	2022 £'000	2021 £'000
Loss for the year from discontinued activities	**(9,924)**	(2,489)
Exceptional items	**1,028**	–
Impairment loss recognised on the remeasurement to fair value less costs to sell	**1,915**	–
Amortisation of intangible assets	**6**	11
Share-based payment charges	**66**	67
Adjusted loss for the year from discontinued activities	**(6,909)**	(2,411)

Earnings per share

	2022	2021
Basic, loss for the year from discontinued operations	**(5.4p)**	(1.4p)
Diluted, loss for the year from discontinued operations	**(5.4p)**	(1.4p)
Adjusted, loss for the year from discontinued operations	**(3.8p)**	(1.4p)

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

	2022 £'000	2021 £'000
Operating	**(4,064)**	(3,699)
Investing	**(126)**	(2,382)
Financing	**(412)**	(266)
Net cash outflow	**(4,602)**	(6,347)

8 Discontinued operations continued

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

2022	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.

Exceptional items summary

	2022 £'000	2021 £'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	**(190)**	–
Reduction in Omega Diagnostics GmbH settlement*	**126**	–
Total	**(1,028)**	–

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

9 Earnings per share

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

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

	2022 £'000	2021 £'000
(Loss)/profit attributable to equity holders of the Group		
Continuing operations	**(1,409)**	385
Discontinued operations	**(9,924)**	(2,489)
Loss attributable to equity holders of the Group for basic earnings	**(11,333)**	(2,104)

	2022 Number	2021 Number
Basic average number of shares	**182,638,427**	171,688,730
Share options	**4,359,653**	5,415,449
Diluted weighted average number of shares	**186,998,080**	177,104,179

Adjusted earnings per share on profit for the year

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

	2022 £'000	2021 £'000
Loss attributable to equity holders of the Group	**(11,333)**	(2,104)
Exceptional items*	**3,280**	–
Amortisation of intangible assets	**105**	120
Share-based payment charges	**282**	270
Adjusted loss attributable to equity holders of the Group	**(7,666)**	(1,714)

* 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.

	2022 £'000	2021 £'000
(Loss)/profit for the year from continuing operations	**(1,409)**	385
Exceptional items	**337**	–
Amortisation of intangible assets	**99**	109
Share-based payment charges	**216**	203
Adjusted (loss)/profit for the year from continuing operations	**(757)**	697
Adjusted EPS on loss for the year	**(4.2)p**	(1.0)p
Adjusted EPS on (loss)/profit for the year from continuing operations	**(0.4)p**	0.4p

Adjusted (loss)/profit 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.

10 Intangibles

	Goodwill £'000	Licences/ software £'000	Technology assets £'000	Customer relationships £'000	As restated* Development costs £'000	As restated* Total £'000
Cost						
At 31 March 2020 as reported	3,017	1,633	1,975	100	13,699	20,424
Prior year adjustment	–	–	–	–	(290)	(290)
Restated at 31 March 2020	–	1,633	1,975	100	13,409	20,134
Additions	–	2	–	–	201	203
Additions – internally generated	–	–	–	–	727	727
Currency translation	–	(2)	–	–	–	(2)
Disposals	–	–	–	–	–	–
At 31 March 2021	3,017	1,633	1,975	100	14,337	21,062
Additions	–	–	–	–	–	–
Additions – internally generated	–	–	–	–	581	581
Currency translation	–	1	–	–	–	1
Reclassified as assets held for sale	–	–	–	–	(5,706)	(5,706)
Disposals	–	–	–	–	(31)	(31)
At 31 March 2022	**3,017**	**1,634**	**1,975**	**100**	**9,181**	**15,907**
Accumulated amortisation						
At 31 March 2020	–	1,578	1,242	100	7,827	10,747
Amortisation charge in the year	–	21	99	–	305	425
Currency translation	–	(2)	–	–	–	(2)
At 31 March 2021	–	1,597	1,341	100	8,132	11,170
Amortisation charge in the year	–	6	99	–	513	618
Impairment charge	–	16	–	–	–	16
Reclassified as assets held for sale	–	–	–	–	(642)	(642)
At 31 March 2022	**–**	**1,619**	**1,440**	**100**	**8,003**	**11,162**
Net book value						
At 31 March 2022	**3,017**	**15**	**535**	**–**	**1,178**	**4,745**
At 31 March 2021 as restated	3,017	36	634	–	6,205	9,892
At 31 March 2020 as restated	3,017	56	732	–	5,582	9,387

* See note 3 for details regarding the restatement.

The net book value of goodwill at 31 March 2022 all relates to the Health and Nutrition segment.

Of the development costs brought forward, costs of £4,390,000 (2021: £4,452,000) relate to the VISITECT® CD project which is now held for sale. The remaining balance of £1,178,000 (2021: £1,657,000) relate to Health and Nutrition projects, £967,000 of which has a further amortisation period of 45 months. The development costs of £209,000 relate to the project developing the digital platform which has not been launched and is therefore not being amortised.

The technology assets costs of £1,975,000 comprise the microarray, macroarray and microplate. The remaining amortisation period for these assets is 65 months.

£71,000 (2021: £71,000) of the additions internally generated in the year relates to capitalised depreciation on assets utilised for development activities.

Impairment testing of goodwill and intangibles

On acquisition, goodwill is initially measured as the excess of the purchase consideration of the acquired business over the fair value of the identifiable net assets. Goodwill arose on the acquisition of Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited in 2007, the trading results of which are reported within the Health and Nutrition segment and as a consequence, the goodwill is allocated to the Health and Nutrition CGU. The Group tests goodwill and intangibles annually for impairment or more frequently if there are indicators of impairment. The carrying amounts are indicated in the table above.

The recoverable amount of the Health and Nutrition CGU has been determined based on a value in use calculation using cash flow projections for the years ending 31 March 2023 to 31 March 2027 based on an organic sales growth rate of 10% for the year ending 31 March 2024 and 5% thereafter and cost inflation of 5% per annum. Expansion in the US has been included, as this replicates the UK lab services model which leverages the existing goodwill and intangible assets. The forecast includes a recommencement of supply to China towards the latter part of the year ending 31 March 2023.

10 Intangibles continued

Impairment testing of goodwill and intangibles continued

A pre-tax discount rate of 10.8% (2021: 9.7%) has been used in the calculation of future cash flow projections, which takes account of other risks such as currency risk, geographical risk and price risk perspective. In order to calculate the terminal value, a perpetuity growth rate of 2% (2021: 2%) has been applied.

The key assumptions used in the forecasts are the product revenues and margins which are predicated on the continued success of FoodPrint® and Food Detective®, both having a strong track record of historical performance. Following the classification of the Global Health CGU as a discontinued operation, 100% (2021: 50%) of the corporate costs have been allocated to the Health and Nutrition CGU when assessing the value in use.

The Group has conducted a detailed sensitivity analysis as part of its impairment testing to ensure that the results of its testing are reasonable. The discount rate for the CGU would need to increase by approximately 650 basis points, or the perpetuity growth rate would need to fall below zero before the recoverable amount would equal the carrying value. The Directors believe that any reasonably possible further change in the trading assumptions, as detailed above, on which the recoverable amount is based would not cause any of the carrying amounts to exceed the relevant recoverable amount.

11 Property, plant and equipment

Consolidated	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 31 March 2020	992	3,864	4,856
Additions	417	1,548	1,965
Currency translation	–	(1)	(1)
At 31 March 2021	1,409	5,411	6,820
Additions	394	574	968
Disposals	(1,107)	(1,378)	(2,485)
Reclassified as assets held for sale	–	(2,147)	(2,147)
Currency translation	–	1	1
At 31 March 2022	**696**	**2,461**	**3,157**
Accumulated depreciation			
At 31 March 2020	638	2,786	3,424
Charge in the year	41	277	318
Disposals	–	–	–
Currency translation	–	–	–
At 31 March 2021	679	3,063	3,742
Charge in the year	91	415	506
Disposals	(286)	(970)	(1,256)
Reclassified as assets held for sale	–	(974)	(974)
Currency translation	–	1	1
At 31 March 2022	**484**	**1,535**	**2,019**
Net book value			
At 31 March 2022	**212**	**926**	**1,138**
At 31 March 2021	730	2,348	3,078
At 31 March 2020	354	1,078	1,432

Included within disposals is the Alva site disposed of in March 2022 creating a loss on disposal before costs of £226,000 which has been included within exceptional costs on discontinued operations.

£71,000 (2021: £71,000) of the annual depreciation charge relates to assets utilised for development activities; therefore, this depreciation has been capitalised and included within intangible assets.

11 Property, plant and equipment continued

Leases

Right of use assets

Consolidated	Land and property £'000	Plant and machinery £'000	Total £'000
At 31 March 2021	1,759	42	1,801
Additions	64	–	64
Depreciation	(205)	(31)	(236)
Disposals	(1,514)	–	(1,514)
Assets held for sale	–	(9)	(9)
At 31 March 2022	**104**	**2**	**106**

Lease liabilities

Consolidated	Land and property £'000	Plant and machinery £'000	Total £'000
At 31 March 2021	1,882	43	1,925
Additions	64	–	64
Interest expense	141	3	144
Lease payments	(301)	(35)	(336)
Disposals	(1,672)	–	(1,672)
Assets held for sale	–	(10)	(10)
At 31 March 2022	**114**	**1**	**115**

As part of the Alva site disposal, the remaining 14 years of the lease were assigned to Accubio Limited, creating a gain on disposal of £158,000 as the right of use asset and lease liability were both derecognised for £1,514,000 and £1,672,000 respectively.

An analysis of the lease liabilities by repayment date is as follows:

Consolidated	**2022 £'000**	2021 £'000
Within one year	**92**	172
More than one year	**23**	1,753
Total	**115**	1,925

12 Deferred taxation

The deferred tax asset and deferred tax liability is made up as follows:

	Consolidated balance sheet	
	2022 £'000	2021 £'000
Temporary differences	**1**	975
Tax losses carried forward	**2,753**	2,713
	2,754	3,688
The deferred tax liability is made up as follows:		
Fair value adjustments on acquisition	**102**	120
Accelerated capital allowances	**417**	335
Capitalised research and development	**1,128**	698
	1,647	1,153
Net deferred tax asset	**1,107**	2,535

A deferred tax asset has been recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. The result of this review is to write-off some of the deferred tax asset previously recognised and take a charge to the profit and loss account in the amount of £459,000.

The temporary differences asset on share-based payments of £974,000 from prior year has been reversed, £369,000 of which is recognised through the Statement of Comprehensive income and the residual balance of £595,000 relating to the tax effect of unrecognised losses on unexercised employee share options, which are in excess of the cumulative amounts charged to comprehensive income for share-based payment expense, is recognised through equity in accordance with IAS 12.

12 Deferred taxation continued

This judgement is based on a review of the forecasted profits from the Health and Nutrition segment. The forecasts for the years ending 31 March 2023 to 31 March 2027 are based on an organic sales growth rate of 10% for the year ending 31 March 2024 and 5% thereafter and cost inflation of 5% per annum. Expansion in the US has been included, as this replicates the UK lab services model which utilises the existing goodwill and intangible assets. The forecast includes a recommencement of supply to China towards the latter part of the year ending 31 March 2023.

The deferred tax asset at 31 March 2022 will be offset against future profits of the Health and Nutrition sector. Deferred tax assets not recognised as recoverable amount to £2,938,000 (2021: nil).

Company	**2022 £'000**	2021 £'000
Temporary differences	**–**	634
Tax losses carried forward	**–**	436
	–	1,070

The temporary differences asset on share-based payments of £634,000 from prior year has been reversed, £242,000 of which is recognised through the Statement of Comprehensive income and the residual balance of £392,000 relating to the tax effect of unrecognised losses on unexercised employee share options, which are in excess of the cumulative amounts charged to comprehensive income for share-based payment expense, is recognised through equity in accordance with IAS 12.

No deferred tax asset has been recognised in relation to losses based on the forecast profitability of the Company resulting in a £436,000 charge through the Statement of Comprehensive income.

13 Investments

Company

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

	Country of incorporation	**2022 £'000**	2021 £'000
Investment in Omega Diagnostics Limited[1]	UK	**2,791**	2,667
Investment in Genesis Diagnostics Limited[2]	UK	**–**	–
Investment in Cambridge Nutritional Sciences Limited[2]	UK	**–**	–
Investment in Omega (South West) Limited[3]	UK	**–**	–
Investment in Bealaw (692) Limited[3]	UK	**–**	–
Investment in Bealaw (693) Limited[3]	UK	**–**	–
Investment in Omega Dx (Asia)[4]	India	**309**	1,994
		3,100	4,661

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

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

Additions in the year of £124,000 (2021: £139,000) to the investment in Omega Diagnostics Limited relate to capital contributions provided by the Company to subsidiary undertakings in relation to share based payments as detailed in the equity-settled share-based payments note. The Directors have undertaken a review of the carrying value of investments during the year based on the future prospects of the subsidiary and consider an impairment of £1,685,000 is necessary in respect of the investment in Omega Dx (Asia) to reflect the recoverable amount of the subsidiary.

(1) Registered office address – 1 Exchange Crescent, Conference Square. Edinburgh EH3 8UL.

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

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

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

14 Inventories

	2022 £'000	2021 £'000
Raw materials	**325**	1,068
Work in progress	**488**	936
Finished goods and goods for resale	**281**	234
	1,094	2,238

15 Trade and other receivables

Consolidated	2022 £'000	2021 £'000
Trade receivables	**2,601**	3,827
Less provision for impairment of receivables	**(190)**	–
Trade receivables – net	**2,411**	3,827
Prepayments	**201**	130
Other receivables	**433**	218
	3,045	4,175

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

Analysis of trade receivables

Consolidated	2022 £'000	2021 £'000
Neither impaired nor past due	**1,579**	3,070
Past due but not impaired	**832**	757
	2,411	3,827

Ageing of past due but not impaired trade receivables

	2022 £'000	2021 £'000
Up to three months	**364**	721
Between three and six months	**4**	36
More than six months	**464**	–
	832	757

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

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

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

Company	2022 £'000	2021 £'000
Prepayments	**60**	46
Other receivables	**13**	5
Intercompany receivables	**16,825**	12,830
	16,898	12,881

The intercompany receivable of £16,825,000 due from Omega Diagnostics Limited is stated net of an expected credit loss of £200,000 (2021: £nil). This is determined by applying the probability of default to the receivables due from subsidiaries. The probability of default has increased in the current year following the non-progression of the DHSC contract which was expected to create significant profits and cash flow.

16 Cash and cash equivalents

Consolidated	2022 £'000	2021 £'000
Cash and cash equivalents	**1,605**	5,827

Company	2022 £'000	2021 £'000
Cash and cash equivalents	**1,045**	5,543

17 Capital and reserves

Consolidated	2022 Number of shares	2021 Number of shares
Authorised share capital		
Ordinary shares of 4.0 pence each	**323,278,493**	184,769,736
Deferred shares of 0.9 pence each	**123,245,615**	123,245,615

Company	Number of shares	£'000
Issued and fully paid ordinary share capital		
At 1 April 2020	150,387,010	6,015
Issued during the year	31,868,296	1,275
At 31 March 2021	182,255,306	7,290
Issued during the year	427,098	17
At 31 March 2022	**182,682,404**	**7,307**
Issued and fully paid non-participating deferred share capital		
At the beginning and end of the year	123,245,615	1,109

During the year ended 31 March 2022, the Company did not grant any options over ordinary shares.

18 Interest-bearing loans and borrowings and financial instruments

Consolidated	2022 £'000	2021 £'000
Current		
Obligations under asset finance loan arrangements	**204**	206
	204	206
Non-current		
Obligations under asset finance loan arrangements	**51**	712
	51	712

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

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

	2022		2021	
	Asset finance and hire purchase £'000	**Lease liabilities £'000**	Asset finance and hire purchase £'000	Lease liabilities £'000
Future minimum payments due:				
Not later than one year	**222**	**99**	232	316
After one year but not more than five years	**53**	**26**	775	886
After five years	**–**	**–**	–	1,958
	275	**125**	1,007	3,160
Less finance charges allocated to future periods	**(20)**	**(10)**	(89)	(1,235)
Present value of minimum principal payments	**255**	**115**	918	1,925
The present value of minimum lease payments is analysed as follows:				
Not later than one year	**204**	**92**	206	172
After one year but not more than five years	**51**	**23**	712	416
After five years	**–**	**–**	–	1,337
	255	**115**	918	1,925

18 Interest-bearing loans and borrowings and financial instruments continued

Changes in liabilities	2022 £'000	2021 £'000
Opening lease, hire purchase and asset finance obligations	**2,843**	2,008
New leases	**64**	284
New asset finance loan arrangements	**–**	796
Right of use asset lease repayments	**(336)**	(325)
Right of use asset lease interest	**144**	176
Hire purchase and asset finance repayments	**(232)**	(109)
Hire purchase and asset finance interest	**34**	13
Disposals	**(1,672)**	–
Liabilities directly associated with assets held for sale	**(475)**	–
Closing lease, hire purchase and asset finance obligations	**370**	2,843

The Group's bankers, Bank of Scotland, hold a floating charge granted by Omega Diagnostics Limited on 5 November 1988. A cross guarantee is also in place between Omega Diagnostics Limited and Omega Diagnostics Group PLC.

19 Deferred income

Consolidated	2022 £'000	As restated* 2021 £'000
Deferred income	**2,500**	647

* See note 3 for details regarding the restatement.

Under the contract dated 12 February 2021, the Company has received £2,500,000 (2021: £500,000) of advance funding from DHSC as a contribution to the preparedness of the Alva site for COVID-19 lateral flow test production. This prepayment was due to be recovered by DHSC based upon production volumes under the contract. The contract did not progress to phase II (manufacturing) and as such there is no agreed mechanism for repayment. The £500,000 received in the financial year to 31 March 2021 has been reallocated to deferred income from accruals and other payables for the prior year for consistency.

The Board of Omega, having taken legal advice, does not believe that the Company is required to repay the pre-production payment and that it is entitled to recover additional losses incurred under the contract, the timing of resolution of which is uncertain.

20 Trade and other payables

Consolidated	2022 £'000	As restated* 2021 £'000
Trade payables	**448**	1,029
Social security costs	**193**	348
Accruals and other payables	**2,033**	1,295
	2,674	2,672

* See note 3 for details regarding the restatement.

Trade payables and other payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value.

Included in accruals and other payables are amounts totalling £62,000 relating to customer advance payments.

Company	2022 £'000	As restated* 2021 £'000
Trade payables	**44**	13
Accruals and other payables	**353**	653
	397	666

* See note 3 for details regarding the restatement.

Trade payables and other payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value.

21 Commitments and contingencies

Future lease contractual commitments

Omega Diagnostics Limited, in relation to a new facility in Ely, signed an agreement for lease in January 2018. A full 25-year lease will be entered into when the building is complete – at the time of signing the building is still incomplete and the lease is subject to renegotiation between the parties. The total commitment for the lease is £15,500,000.

Performance bonds

The Group has performance bonds and guarantees in place amounting to £60,000 at 31 March 2022 (2021: £60,000).

22 Related party transactions

Remuneration of key personnel

The Board has defined key management personnel as the Directors of the Company and the remuneration is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosures:

Consolidated	2022 £'000	2021 £'000
Short-term employee benefits	**987**	601
Share-based payments	**160**	131
Post-employment benefits	**22**	26
	1,169	758

Included within short-term employee benefits are £37,000 (2021: £40,000) paid to Third Day Advisors LLC, a company controlled by William Rhodes. Following Colin King's resignation he took up a position working for Accubio Limited, the purchaser of the Group's Alva site and CD4 business.

Other related party transactions

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

Company	2022 £'000	2021 £'000
Balance at 1 April 2021	**12,830**	7,937
Charges to subsidiary companies	**1,377**	1,560
Charges from subsidiary companies	**(632)**	(808)
Transfers of cash to subsidiary companies	**18,429**	12,660
Transfers of cash from subsidiary companies	**(14,979)**	(8,402)
Less provision for impairment of receivables	**(200)**	–
Loan balance transferred to investments	**–**	(105)
Retranslation	**–**	(12)
Balance at 31 March 2022	**16,825**	12,830

23 Retirement benefit obligations

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

Details of the defined contribution schemes for the Group's employees are given below.

Defined contribution scheme

The Group makes contributions to personal plans of employees on a defined contribution basis. The Group does not have ownership of the schemes, with individual plans being arrangements between the employee and pension provider.

24 Financial instruments

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

Consolidated	2022 £'000	2021 £'000
Trade receivables at amortised cost	**2,411**	3,827

Company	2022 £'000	2021 £'000
Due from subsidiary companies at amortised cost	**16,825**	12,830

Amounts due by the Company from subsidiary companies are repayable on demand and are not subject to interest.

24 Financial instruments continued

Consolidated	2022 £'000	2021 £'000
Trade payables	**448**	1,029
Obligations under leases and asset finance loan arrangements	**370**	2,843
	818	3,872

Company	2022 £'000	2021 £'000
Trade payables	**44**	13

Financial risk management

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

Foreign currency risk

The Group operates in more than one currency jurisdiction and is therefore exposed to currency risk on the retranslation of the income statement and the balance sheet of its overseas subsidiaries from rupees into its functional currency of pounds sterling. The Company funds its subsidiaries by a mixture of equity and intercompany loan financing and these balances are subject to exchange rate movements that can give rise to movements in equity. The Group also buys and sells goods and services in currencies other than the functional currency, principally in euros and US dollars. The Group has US dollar and euro-denominated bank accounts and, where possible, the Group will offset currency exposure where purchases and sales of goods and services can be made in these currencies. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is currently Group policy not to engage in any speculative transaction of any kind but this will be monitored by the Board to determine whether it is appropriate to use additional currency management procedures to manage risk. At 31 March 2022 and 31 March 2021 the Group had not entered into any hedge transactions.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group conducts its operations in many countries, so there is no concentration of risk in any one area. In most cases, the Group grants credit without security to its customers. Creditworthiness checks are undertaken before entering into contracts with new customers, and credit limits are set as appropriate. The Group conducts most of its operations through distributors and is therefore able to maintain a close relationship with its immediate customers. As such, the Group monitors payment profiles of customers on a regular basis and is able to spot deteriorations in payment times. An allowance for impairment is made that represents the potential loss in respect of individual receivables where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2022 and 31 March 2021 represents the Group's maximum exposure to credit risk. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An analysis of ageing of past due but not impaired trade receivables can be seen in Note 7.

An analysis of trade receivables from various regions is analysed in the following table:

	2022 Trade receivables £'000	2021 Trade receivables £'000
UK/Europe	**1,240**	1,715
North America	**585**	556
South/Central America	**113**	131
Asia and the Far East	**399**	1,404
Africa and the Middle East	**74**	21
	2,411	3,827

Impairment losses

	2022 Trade receivables ECL £'000	2021 Trade receivables ECL £'000
Balance at start of period	**–**	(39)
Impairment recognised	**(190)**	–
Impairment released	**–**	39
Balance at end of period	**(190)**	–

The Company has provided for an ECL of £200,000 (2021: £nil) in relation to amounts due from Omega Diagnostics Limited following the significant losses incurred by the subsidiary in the year to 31 March 2022.

24 Financial instruments continued

Financial risk management continued

Capital management

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

Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2022 based on the undiscounted cash flows of liabilities which include both future interest and principal amounts outstanding based on the earliest date on which the Group can be required to pay. The amounts of future interest are not included in the carrying value of financial liabilities on the balance sheet.

Consolidated	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
2022					
Trade payables	448	–	–	–	448
Obligations under asset finance loan arrangements	21	201	53	–	275
Obligations under leases	25	75	25	–	125
Bank overdraft	–	–	–	–	–
	494	**276**	**78**	**–**	**848**
2021					
Trade payables	1,029	–	–	–	1,029
Obligations under asset finance loan arrangements	61	171	775	–	1,007
Obligations under leases	79	237	886	1,958	3,160
Bank overdraft	–	–	–	–	–
	1,169	408	1,661	1,958	5,196

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2022 based on the undiscounted cash flows of liabilities based on the earliest date on which the Company can be required to pay.

Company	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Total £'000
2022				
Trade payables	**44**	**–**	**–**	**44**
2021				
Trade payables	13	–	–	13

Interest rate risk

All of the Group's borrowings are at fixed rates of interest.

The following table demonstrates the sensitivity to a possible change in interest rates on the Group's profit before tax through the impact on floating rate borrowings and cash balances.

Consolidated	Change in basis points	Effect on profit before tax and equity £'000
2022		
Cash and cash equivalents	**25**	**9**
2021		
Cash and cash equivalents	25	7

24 Financial instruments continued

Financial risk management continued

Interest rate risk continued

The following table demonstrates the sensitivity to a possible change in interest rates on the Company's profit before tax through the impact on floating rate borrowings and cash balances.

Company	Change in basis points	Effect on profit before tax and equity £'000
2022		
Cash and cash equivalents	**25**	**8**
2021		
Cash and cash equivalents	25	6

Fair values

All financial assets and liabilities, with the exception of assets held for sale, are classified as level 2 given they are short term and therefore the current value is an approximate for fair value. The carrying amount for all categories of financial assets and liabilities disclosed on the balance sheet and in the related notes to the accounts is equal to the fair value of such assets and liabilities as at both 31 March 2022 and 31 March 2021. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the accounts.

The 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 segment disposed of 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.

25 Subsequent events

On 9 May 2022 and 8 June 2022 respectively, the Company successfully raised £2.2 million (gross) by way of a cash box placing of £2.0 million and an open offer/direct subscription of £0.2 million, to fund the CD4 business through to a successful sale.

On 31 July 2022, the Group sold its CD4 business to Accubio Limited for cash consideration of up to £6.3 million. Initial payments of £463,000 for fixed assets and £852,000 for inventory have been received, with a further £4.0 million placed in escrow to be released following the successful conclusion of an ongoing clinical study in Kenya. To the extent this study is not successful and the World Health Organisation withdraw the CD4 product approval, the funds in escrow will be utilised, with the prior agreement of the Group, to fund any remedial work required in order to re-list the product, subject always to a maximum cap of £4.0 million. In addition, the Company will receive a royalty equivalent to 4% of Accubio's CD4 revenues for the period to 31 December 2026, capped at £1.0m in aggregate.

Notice is hereby given that the annual general meeting of Omega Diagnostics Group PLC (the Company) will be held at Poets House, St Mary's Street, Ely CB7 4EY, on 26 October 2022 at 11:00 a.m. for the following purposes:

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive and adopt the reports of the Directors and the Auditor and the audited accounts for the year ended 31 March 2022.
2. To appoint RSM UK Audit LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the Directors to fix the Auditor's remuneration.
4. To re-elect Jeremy Millard as a director of the Company.
5. To elect Chris Lea as a director of the Company.
6. That, in accordance with section 551 of the Companies Act 2006, the directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company (Rights) up to an aggregate nominal amount of £3,169,135.73 ordinary shares of 4 pence each (Ordinary Shares), provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the next annual general meeting of the Company or, if earlier, on 31 October 2023 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Companies Act 2006, but without prejudice to any allotment already made or to be made pursuant to such authority.

To consider and, if thought fit, pass the following as a special resolution:

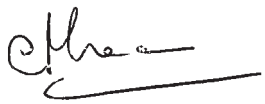
7. That, conditional upon the passing of resolution 6 above, and in accordance with section 570 of the Companies Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 6 as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

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

   7.2 the allotment of equity securities otherwise than pursuant to subparagraph 7.1 above up to an aggregate nominal amount of £475,370.36,

   and provided that this power shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the next annual general meeting of the Company or, if earlier, 30 September 2023, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board



Chris Lea
Company Secretary
11 September 2022

Registered in England and Wales number: 5017761

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 11.00 a.m. on 24 October 2022 shall be entitled to attend and vote at the meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chair of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chair of the meeting) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited, on 01252 821 390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. The notes to the proxy form explain how to: (a) direct your proxy to vote on each resolution or withhold their vote; (b) appoint proxies; (c) change proxy instructions; and (d) terminate proxy appointments.

Corporate representatives

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

Issued shares and total voting rights

8. As at the date of this Annual Report the Company's issued share capital comprised 237,685,180 ordinary shares of 4 pence each and 123,245,615 deferred shares of 0.9 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company. The deferred shares do not confer any voting rights and no shares are held in treasury. Accordingly, the total number of voting rights in the Company is 237,685,180 as at the date of this Annual Report.

Communications with the Company

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

Appointment of proxy using CREST

10. CREST members may appoint a proxy through CREST by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ("a CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so that they are received by Share Registrars Limited (ID 7RA36) by 11.00 a.m. (UK time) on 24 October 2022 (or, if the meeting is adjourned, the time that is 48 hours before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or procure the taking of) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Electronic appointment of proxy

13. As an alternative to completing a hard-copy proxy form or submitting a proxy appointment via CREST, shareholders can appoint a proxy online at www.shareregistrars.uk.com (clicking on the "Proxy Vote" button and then following the on-screen instructions). For an electronic proxy appointment to be valid, Share Registrars must receive the proxy appointment no later than 11.00 a.m. on 24 October 2022 (or, if the meeting is adjourned, the time that is 48 hours before the time fixed for the adjourned meeting).

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Atria One
144 Morrison Street
Edinburgh EH3 8EX

RSM UK Audit LLP (proposed for 2023)
Third Floor
Centenary House
69 Wellington Street
Glasgow G2 6HG

Solicitors
Shepherd & Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Registrars
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The Courtyard
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Surrey GU9 7DR

Public relations
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Country of incorporation
England and Wales

Omega Diagnostics Group PLC
Registered number: 5017761

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Omega Diagnostics Group PLC's commitment to environmental issues is reflected in this Annual Report, which has been printed on Symbol Freelife Satin, an FSC® certified material. This document was printed by L&S using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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designportfolio

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