Omega Diagnostics

Informing decisions
Improving health

Annual Report and Group Financial Statements 2021

Our mission is to make world-leading diagnostic tests easily accessible to everyone – wherever they are in the world, by working with our partners to develop and deliver best-in-class diagnostic products, and by empowering, educating and inspiring the markets we serve.

Operational highlights

- Chinese regulatory approval of Food Detective® test for both laboratory settings and self-test use
- Supply agreement signed with Clinton Health Access Initiative (CHAI) to accelerate access of VISITECT® CD4 Advanced Disease in low- and middle-income countries
- VISITECT® CD4 Advanced Disease test received WHO prequalification
- Placing and open offer which raised £10.5m net of expenses to enable capacity increase of lateral flow tests
- Contract signed with the Department of Health and Social Care ("DHSC") to provide manufacturing capacity for COVID-19 lateral flow antigen tests
- Appointment of Dr Simon Douglas as Non-Executive Chairman of The Group
- CE mark and launch of Mologic's lateral flow antigen test for COVID-19, to be sold for professional-use under Omega's VISITECT® brand and FDA Emergency Use Authorization submitted
- Over £2m invested in facility refurbishment and new equipment to accommodate increased capacity expected from both COVID-19 and CD4 manufacturing throughput

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Omega Diagnostics Group PLC
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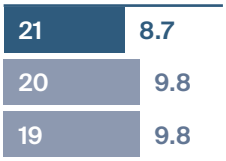
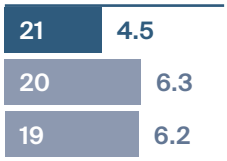
Financial highlights

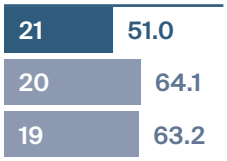
Sales (£m)
£8.7m
11%



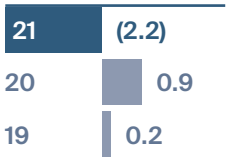
Gross profit (£m)
£4.5m
29%



Gross profit (%)
51.0%
13.1%



EBITDA (£m)
£(2.2)m
EBITDA decreased by £3.1m



Statutory loss for the year was £2,104,310 (2020: loss of £6,828,312).

	2021 £m	2020 £m	+/- %
Sales	**8.7**	9.8	-11.2%
Gross profit	**4.5**	6.3	-28.6%
Gross profit percentage	**51.0%**	64.1%	
Exceptional items	**–**	(7.7)	
EBITDA	**(2.2)**	0.9	-344%
Adjusted loss before taxation*	**(3.1)**	(0.4)	-675%

* Adjusted 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 and share-based payment charges.

Our range of products

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

For the year ended 31 March 2021, our revenue was comprised of the following segments:

Health and Nutrition

Main products:

- FoodPrint®
- Food Detective®
- CNS lab

Our Health and Nutrition division 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.

Global Health

Main products:

- VISITECT® CD4 Advanced Disease
- VISITECT® COVID-19 commercial antigen and AbC-19™ rapid antibody tests launched
- Services recently expanded to provide COVID-19 antibody testing service to health professionals

VISITECT® CD4 Advanced Disease is the world's only instrument-free CD4 rapid test, delivering better outcomes for people living with HIV and benefiting healthcare providers. The Group offers both antibody and antigen lateral flow tests along with a lab service for antibody testing.

Our key focus going forward

VISITECT® CD4

Using just a finger prick of blood, VISITECT® CD4 Advanced Disease improves access to care for people living with HIV by providing same-day CD4 testing. Focused on low- and middle-income countries, it enables faster results, improved patient management and enhanced decision making – reducing the burden and impact of HIV/AIDS globally.

COVID-19

As a result of the recent COVID-19 outbreak, Omega is utilising its development and manufacturing expertise to assist in response to this pandemic. The Group offers both antibody and antigen lateral flow tests along with a lab service for antibody testing.

Food sensitivity

From a small finger prick blood sample, our technologies can quickly identify an individual's unique food sensitivity reactions.

Our Food Detective® product tests for sensitivities across 59 common foods and can be used by the practitioner on-site.

Our FoodPrint® product is more expansive, allowing for up to 222 foods to be tested using innovative microarray technology in over 200 laboratories around the world.

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.

I joined Omega Diagnostics as Non-Executive Chairman in February this year having recognised that the Company has an exciting potential for growth in all its business areas and is headed up by a skilled, dedicated and experienced team. Joining in the middle of a global pandemic brings its challenges but after only a few months in the Company I have not been disappointed and we continue to provide high quality in-vitro diagnostics products for use in over 75 countries.

Our VISITECT® CD4 Advanced Disease test, targeting patients with advanced HIV, is a unique product in the market and the result of a significant investment of both time and money. As you will read later, it has successfully met the most stringent regulatory requirement of WHO prequalification. In-country registrations also continue to proceed, with 17 countries now well prepared to make the product available this year. We are encouraged and excited by the uptake we are seeing in the market where it will make a real difference in monitoring the progression of HIV.

The Health and Nutrition business has a range of high-quality products for assessing food sensitivity and is also a market leader. The global economy has struggled in light of the pandemic and with that the growth in this division has been affected but, as we see many parts of the world opening up more, I am pleased to see a strong recovery in this division in the second half of this financial year just ended.

COVID-19 testing

I am pleased to report that Omega moved very rapidly at the onset of the pandemic and along with selected partners identified the opportunity to be part of the UK's fight against the growing threat of COVID-19. Under a government contract and in conjunction with Abingdon Health plc as part of the UK Rapid Test Consortium ("UK-RTC"), we have co-developed and are producing lateral flow test kits for COVID-19 antibody testing (branded as AbC-19™). Additionally, we have accessed a COVID-19 antigen lateral flow test from the UK company Mologic Ltd which, following a detailed technical transfer, has been regulatory approved for professional use with self-test approval anticipated this year and is now ready for commercialisation under our own VISITECT® brand.

We believe that the ability to supply tests that are produced within the UK remains a key priority for the Department of Health and Social Care ("DHSC") and to that end the DHSC had facilitated initial commercial discussions between Omega and potential partner companies with lateral flow antigen tests to potentially provide UK manufacturing services. Currently this selection process by the DHSC is taking longer than we originally expected and we are waiting for confirmation on which test we will be required to manufacture. While we are not in control of this process, we remain in regular dialogue with the DHSC to provide manufacturing capacity for COVID-19 lateral flow antigen tests, utilising the key pieces of manufacturing equipment loaned by the UK Government for that purpose.

I am grateful for the support shown from both existing and new shareholders in supporting the Company's placing and open offer, where we raised £10.5 million net of expenses in June 2020, to support our goals to develop and produce these new COVID-19 tests.

Board and employees

On behalf of the Board, I would like to take this opportunity in thanking Bill Rhodes, our outgoing Non-Executive Chairman. He stepped up to lead the Company in December 2018 and although he had the title of interim Chairman his leadership, guidance and commitment to the role was exemplary and he has steered the Company successfully through a very difficult 12 months. I am delighted that he is staying on the Board as a Non-Executive Director and I am looking forward to working with him.

I would also like to express my thanks and gratitude on behalf of everyone to Kieron Harbinson, our long-serving CFO who is stepping down after 19 years with the Company. He has worked tirelessly over the years to ensure that we controlled our financial resources and successfully steered us through many financial and corporate governance challenges as we grew as a Company. We wish him every success in his next venture, wherever that may be. As announced separately, he is being replaced from 30 August by Chris Lea, who I would like to welcome to the Company and to the Board of Directors. Chris has significant public company experience having most recently worked as CFO of Indigo Vision Group plc and I anticipate that he will make a significant contribution to Omega over the coming years.

Board and employees continued

Due to the pandemic, this year has been a difficult year for all of our stakeholders, including the Company, our staff and many of our customers. 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. We have worked hard at putting a number of processes in place to ensure the safety and health of our staff in both our UK sites and in India. Where possible, staff have worked from home and in the case of the technical and R&D teams, good social distancing and control has allowed a challenging but safe working environment. We have unfortunately seen 10 of our staff contract COVID-19 but I am pleased to say that our contact tracing systems worked well, the infections were contained, and I'm pleased to say that all staff have now recovered fully. This has been a unique situation and everyone has reacted positively with a strong attitude seen throughout the Company from the top down. It has reminded me that, no matter how good our product and services are, it is the quality of the team that counts. Well done and thank you to everyone.

Business performance

Revenues in the first half decreased by 29% to £3.16m (2020: £4.46m), mainly due to the effects of COVID-19 on the Health and Nutrition business. However, as noted above, the second half has shown good recovery with the year-end revenue finishing 11% lower than the previous year at £8.7m (2020: £9.8m). Furthermore, revenue for the Global Health Division (CD4 and AbC-19™) increased by nearly 300% at £1.9m (2020: £0.65m), £0.9m of which was for the AbC-19™ COVID-19 antibody test. However, although making a significant contribution, this level of AbC-19™ sales was below original expectations, mainly due to focus changing towards antigen testing in the UK where routine antibody testing was not recommended as previously anticipated. Health and Nutrition revenue decreased to £6.8m (2020: £9.2m). The margin for the year finished at 51%, down from 64% in FY2020 reflecting the fixed nature of labour costs on reduced sales. EBITDA loss for the year was £2.2m (2020: profit of £0.9m) and the Company had a strong cash position at the year-end of £5.8m.

Continuing with our strategy to focus on high-value core business units, following last year's decision to stop developing new allergens for the Immunodiagnostic Systems Holdings plc ("IDS") instrument, we have recently served notice to IDS to stop producing and supplying the current range of CE marked allergens.

Corporate governance

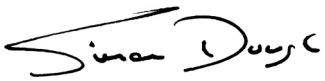
The long-term success of the business and delivery on strategy depends on good governance. The Company complies with the Quoted Companies Alliance Corporate Governance Code 2018 as explained more fully in the Corporate Governance Report.

Going concern

The directors have considered the principal risks and uncertainties the Group faces taking account of the coronavirus pandemic. While the impact of the pandemic in terms of length, severity and disruption to business is not possible to forecast, it also represents an ongoing opportunity for the business. The Group balance sheet remains strong and the Directors remain comfortable that the Group can survive significant reductions in base case forecasted revenue for at least the period through to 31 July 2022 and have sufficient cash resources in its downside scenario. The Directors therefore continue to adopt the going concern basis in preparing its consolidated financial statements.

Outlook

While conditions in the UK and in many parts of the world have improved significantly over the past few months, there remains considerable uncertainty around the world as countries ease or increase restrictions to manage the global COVID-19 pandemic. Challenges remain for much of our international customer base but the Board believes the Company has the expertise to meet these challenges and capitalise on opportunities as we have done over the past year. CD4 is a unique product and gaining traction in countries where HIV remains a serious challenge. We intend to build on this in the short-term through further country registrations and international distribution. In addition our strategy and focus to deliver high value instrument-free diagnostic products will be enhanced over the next 36 months through the introduction of a further range of lateral flow tests for diseases often associated with Advanced HIV and a damaged immune system. The recovery of the Health and Nutrition business should continue with growth in China and the USA anticipated over the next two years as their economies open up. COVID-19 antigen testing still remains a significant opportunity for us, although very much dependent on the UK Government's decisions as to test selection and timing.



Simon Douglas
Non-executive Chairman
12 July 2021

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Introduction

You will notice throughout the annual report that we have undertaken an exercise to refresh our branding. It has also been an opportunity to revisit and align our long-term vision for the Group. As a result, earlier this year we re-structured the organisation into two divisions – Global Health (covering CD4 testing for HIV and COVID-19) and Health and Nutrition (formerly known as Food Intolerance). These divisions have separate and quite distinct markets, customers and business models but share common values and strengths. Our vision is to make world-leading diagnostic tests easily accessible to everyone – wherever they are in the world.

Our Global Health division takes a proactive approach to disease management. We have a unique CD4 test for people living with HIV in low and middle-income countries, and high accuracy COVID-19 tests supplied to the UK Government and agencies around the world. Our Health and Nutrition division promotes a personalised approach to 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.

Financial summary

Our revenue in the 12 months to 31 March 2021 was broadly in line with the revised market forecast at £8.7 million, down by 11% on the year prior. The reduction was anticipated and primarily a result of the pandemic impact on our Health and Nutrition business.

Our statutory loss for the year was £2.1 million compared to a loss of £6.8 million in the prior year. Gross profit decreased from £6.3m to £4.5m reflecting the lower sales with gross profit percentage reducing to 51% as a result of the fixed labour costs. EBITDA was in line with expectations and a loss of £2.2m versus a profit of £0.9m in the prior year.

I would like to thank both existing and new shareholders in supporting the Company's placing and open offer in June 2020, where we raised £10.5 million net of expenses to support our goal to increase significantly our capacity to produce lateral flow tests. The fundraise, along with our careful cash management and the pre-production payments under the Government contract totalling £2.5m, £2.0m of which was received after the year-end, has ensured we remain well capitalised to deliver our ongoing strategic objectives.

Core business

Health and Nutrition

- As noted above sales of our Food sensitivity products declined on prior year, down from £9.2 million to £6.8 million as a result of the Global pandemic. Encouragingly we saw sales recover in the fourth quarter of the financial year to £2.8 million, which provides encouragement that we will return to pre-pandemic sales and growth.
- Sales of FoodPrint® were impacted the most with a decline of 42% to £3.3 million (2020: £5.7 million). Seven FoodPrint® systems were installed in the year, increasing the total number of installations from 216 to 223 in 43 countries. As a result of the reduction in total sales, revenue per instrument decreased by 44% to £14,734 (2020: £26,189).
- Sales of Food Detective® were marginally impacted down by 4.0% in the year to £2.5 million (2020: £2.6 million).
- Despite the pandemic, our partner in China gained regulatory approval in November for their self-test version of the Food Detective® test. This is the only self-test food sensitivity product available in the Chinese market and our partner has now commenced the market development and commercialisation activities. During the year they procured a further 108,126 tests in addition to the 98,040 tests purchased in the prior year.

Core business continued

Global Health

The Global Health division sales increased to £1.9 million for the year, up from £0.65 million in the prior year. The primary reason for the increase was due to revenues generated from COVID-19 antibody tests (£1.3 million). Due to the spread of COVID-19, antibody testing was not adopted as widely as initially expected, with the realisation that herd immunity could not be achieved via natural infection and the increased pressure this would cause on health care systems. This resulted in the Government focus moving towards antigen testing as the primary focus to identify individuals who had an active infection. We do however anticipate use cases to confirm if vaccines have been successful, to help support immunisation usage and deployment in countries where vaccines need to be prioritised or when to provide individuals with a booster vaccination. Evidence is also building regarding the importance of neutralising antibodies in indicating immunity. With all these use cases we remain confident that demand for the UK-RTC antibody test will be forthcoming.

Our lead partner in the UK-RTC, Abingdon Health, have already confirmed that the AbC-19™ rapid test continues to make good commercial progress. Ongoing commercial discussions are encouraging and the consortium continues to move forward on regulatory approvals. Progress has been made across the seven tier 1 countries being targeted by the UK-RTC and the pipeline of opportunities continues to grow.

Investors will have also seen that a recently published peer-reviewed study showed that the AbC-19™ test had a sensitivity of 97.58% and specificity of 99.59% when using evaluation methods as defined by the MHRA for Target Product Profile of an antibody test.

The focus of the market currently is on antigen testing as a key tool to manage the pandemic and we were pleased to announce the signing of a contract with the Department of Health and Social Care ("DHSC") in contemplation of manufacturing selected tests on behalf of DHSC to meet the UK Government's desire for UK-manufactured product. We had hoped that the Mologic test would be chosen by the DHSC as a UK-developed test to be made by us as UK manufacturers, however the contract itself is test agnostic and we are prepared to manufacture whichever test is chosen. The ability to supply tests that are produced within the UK remains a key priority for DHSC and to that end they have facilitated discussions with other potential partner companies with lateral flow antigen tests that have now been approved by the DHSC and also have self-test approval. We have already concluded technical diligence with these parties and we are confident that the transfer time can be expedited given that they have tests already working at scale, rather than transferring straight from development.

In addition, we are also pleased that we have been able to CE mark our own branded VISITECT® lateral flow COVID-19 antigen test for professional use, and we are advancing our plans to achieve approval for home-use as well. To achieve self-test we have been working hard in the background to simplify the sample collection method to ensure consistent results when used by a non-professional. Whilst the cassette itself has not changed, we have looked at the sample handling process and sourced a supplier capable of volume manufacture of pre-filled tubes with our buffer formulation and have performed successful internal studies to confirm this new collection method produces the same performance as the professional test. As a result of this work, we are confident that we can achieve self-test approval and we are now in the process of confirming this externally, which is a requirement of the CE marking process.

Whilst we had hoped to start the utilisation study for home-use earlier, we had to expand the scope of the study to meet additional regulatory requirements, however I am pleased to report that the study has now commenced. We plan to submit the data from the study to our European Notified Body by the end of the month and we are working with them to explore how we can fast track approval. Once we receive approval, we have high expectations that our distribution partners will be very successful in the marketplace with one of the first UK-developed and manufactured self-test products to enter the market.

We are also mindful that once we have self-test approval the VISITECT® COVID-19 Antigen test would potentially be available for future DHSC purchase as a UK-developed and UK-made rapid point-of-care test for active COVID-19.

Outside of the UK we continue to support our technology partner, Mologic Ltd, in the submission process to the US Food and Drug Administration for Emergency Use Authorization, for use under both the VISITECT® and Global Access Diagnostics brands.

To support the expected increase in demand for lateral flow tests, the Alva site has been totally transformed in the last 12 months. The site has been re-configured not only to ensure staff remain safe but to allow for the installation of equipment either purchased by ourselves or provided on loan by DHSC. The reconfiguration was achieved against very tight and demanding timelines, which is a credit to everyone who was involved and we are now in position where we can produce lateral flow tests in high volume, not only for the current pandemic but also into the future as we focus on CD4 and other products that support the management of Advanced HIV Disease patients.

VISITECT® CD4 – Key achievements during the year included the signing of a supply agreement with Clinton Health Access Initiative ("CHAI") and Unitaid to support the implementation of the WHO Advanced HIV Disease Initiative in over 130 low and middle-income countries and successful WHO prequalification. These are two critical building blocks to the successful commercialisation of our VISITECT® CD4 Advanced Disease test.

Despite the pandemic, CHAI have made great progress in the implementation of VISITECT® CD4 Advanced Disease, and five out of seven initial target countries have implementation activities ongoing with a view to wider scale-up. Feedback from these countries to date on the performance of the test has been very encouraging and there is a commitment to continue to roll out the test. There are also more than 40 collaborative or distinct clinical studies and evaluations currently in progress with eight of these already reporting positive findings. Of the 37 strategic countries we have targeted, we are free to sell in 17 of these and have already received demand from 15 of these countries.

In addition to the CHAI supply agreement, we have also received initial demand from Médecins Sans Frontières (MSF) for an initial five-country implementation. VISITECT® CD4 Advanced Disease has also been listed in the UNICEF Supply Catalogue which clears he way for UNICEF and other UN agencies to procure via this framework.

In addition, engagement and momentum is increasing with the U.S. President's Emergency Plan for AIDS Relief ("PEPFAR"), the world's largest funding contributor to the global HIV response. In PEPFAR's Country Operating Plan for 2021, they note that our VISITECT® CD4 Advanced Disease test, as a semi-quantitative lateral flow assay which is inexpensive and able to differentiate CD4 values above and below 200 cells/mm^3 should be given highest priority. PEPFAR's next implementation period for budgetary purposes runs from 1 October 2021 to 30 September 2022. Following the increased support from these global health initiatives, we are confident that we can realise the significant potential from the support that our VISITECT® CD4 Advanced Disease test can provide to people living with HIV and we have just received a first order from PEPFAR/USAID.

Outlook

Despite the delay in our ability to commence supplies under the DHSC supply contract, we remain confident that the new financial year will be transformational for the Group.

We expect our food sensitivity product range to return to growth and we are confident in the opportunities that Food Detective® has in China.

For CD4, the CHAI programme to accelerate the deployment of our VISITECT® CD4 Advanced Disease test is starting to gain momentum and we expect to see revenue being generated from our other sales strategies in the second half of the new financial year.

COVID-19 – we expect a successful conclusion to discussions with DHSC that will see us utilising the capacity for both our own equipment and the Government-loaned equipment, which will be further utilised with expected demand for our VISITECT® lateral flow COVID-19 antigen test, especially once we gain approvals for the self-test version and the Emergency Use Authorisation from the US FDA.

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

I would like to thank all the Group's employees for their continued support and commitment. The COVID-19 outbreak has shown their great desire to ensure we not only continue to manage through these difficult times but their amazing flexibility has allowed us to progress the various COVID-19 opportunities at a faster rate than normal, whilst ensuring the sites have remained secure and safe, thereby protecting themselves and their colleagues.

As part of the divisional restructuring referred to above, I am pleased to advise that Jag Grewal has taken on the broader role of Managing Director for our Health and Nutrition Business.

Finally, I would like to personally thank Kieron for all the support and guidance he has provided me since I joined the Company, he has been a great servant to Omega and I wish him all the best in whatever he decides to do in the future. I would also like to welcome Chris Lea to Omega as Kieron's replacement next month and look forward to working with him and the broader team on the next phase of Omega's exciting future.

Colin King
Chief Executive
12 July 2021

Omega Health & Nutrition

Delivering personalised nutrition for better health

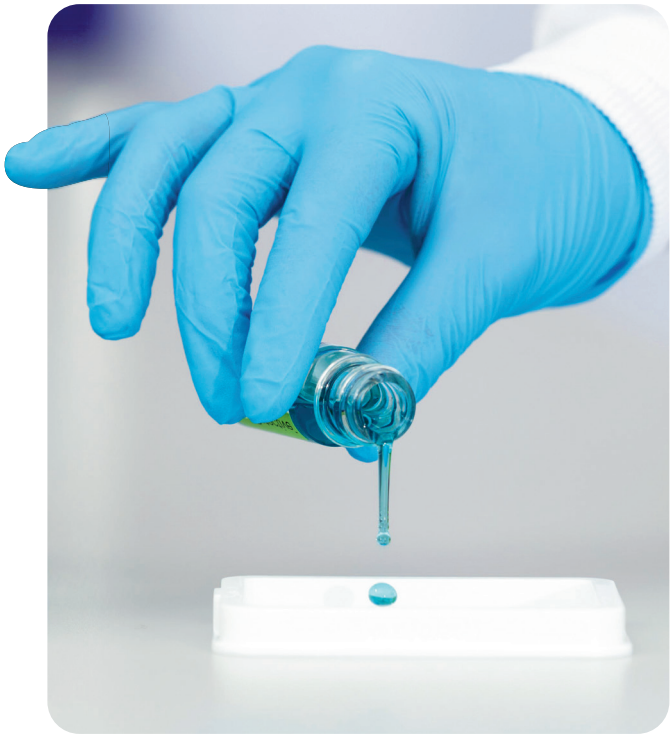
Omega's Health and Nutrition Division is based in Littleport, Cambridgeshire. Collaborating with laboratories and partner organisations, we provide world-leading food sensitivity tests in over 60 countries.

We passionately believe in promoting a more personalised approach to health. Using pioneering diagnostic technologies, we enable healthcare professionals and their patients to accurately identify lifestyle and dietary changes that can significantly improve long-term health and well-being.

From a small finger prick blood sample, our technologies can quickly identify an individual's unique food sensitivity reactions. Our Food Detective® product tests for sensitivities across 59 common foods and can be used by the practitioner in-clinic.

Our FoodPrint® product is more expansive, allowing for up to 222 foods to be tested in laboratories around the world.

The Health and Nutrition business will be moving to a new purpose built production site during the summer of 2021, which will more than double the amount of space to operate in compared to the current site, and give the business the room to grow and develop organically.



Our markets

The global health and wellness market is estimated to be worth $1.5 trillion in 2020 by McKinsey. Annual growth is predicted to be between 5 – 10% annually, 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". In a McKinsey survey of 7,500 consumers in six countries, 79% of respondents claimed that wellness was important, and 42% said wellness was a priority.

The global functional medicine laboratory-testing market is estimated to generate revenue of $5.6 billion by 2025, growing at a CAGR of 10% between 2020 – 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 towards their clinical practice. North America is the leading market for functional medicine laboratory-testing due to the increasing demand for personalised medicine, although growth projections for APAC 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 hospitals, reference laboratories, nutritionists, naturopaths, and other health 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.

Future strategy

Key to our vision and maintaining a leadership position in gut health is an ongoing programme of scientific education and building awareness on how gut health impacts a wide range of long-term clinical conditions. Scientific studies have shown a clear link between gut health and certain chronic conditions such as IBS 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.

Our network of global business partners is supported by our regional sales teams as well as our scientific marketing team who organise and deliver educational events and resources for our business partners to use with their customers. To help facilitate this strategy, Omega is focusing on digital education systems to allow our business partners access to scientific education and marketing resources on demand.

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

With the move to the new site, apart from a doubling of available production space, we will also look to expand our menu of tests (including Microbiome and Nutrigenomics) in the future that will allow our customers to more comprehensively manage their patients, thus enabling our vision of delivering personalised nutrition for better health.

Our products – food sensitivity tests

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

Going forward our IgG food antibody tests will align with the Institute for Functional Medicine (IFM) definition which classes these tests as "Food sensitivity tests".

While IgE antibodies are responsible for acute allergic reactions, IgG-mediated manifestations take much longer to develop. IgG antibodies play a significant role in the shaping of the body's immune system.

Food Detective® is a near-patient test that screens for the presence of IgG antibodies to 59 common foods, giving results in 40 minutes and can be used by the healthcare practitioner within the clinic setting.

FoodPrint® is a laboratory-based system which utilises an innovative, colorimetric microarray-based ELISA technology for the measurement of food-specific IgG antibodies in human serum or plasma for over 200 different foods. The FoodPrint® test is trusted by over 200 laboratories worldwide, and each year growing numbers of people take a test to identify their food sensitivities.

Our Food ELISA uses established ELISA methodology to identify food specific IgG antibodies within a laboratory setting. Laboratories are able to choose from a range of Food IgG ELISA products to suit their requirements. Results from these semi-quantitative assays are interpreted into four easy to understand categories allowing the healthcare professional to guide the patient's diet and assist in alleviating symptoms associated with food sensitivity.

All systems use specific food extracts to identify the corresponding level of circulating IgG antibodies to these potential antigens and can therefore detect foods to which the immune system is reacting. This allows healthcare practitioners to suggest specific dietary changes for their patients which will reduce IgG antibody levels to positive foods and improve overall health.

Our UK laboratory that operates under the brand of Cambridge Nutritional Sciences (CNS), offers a FoodPrint® test service alongside other functional medicine tests to our practitioner base which includes Nutritional Therapists, Naturopaths and Functional Medicine specialists.

Providing global access to vital health information

Our Global Health division is based in Alva, Scotland. Working at all levels with health agencies, NGOs and government bodies, our goal is to make world-leading diagnostic tests available to everyone that needs them.

Using just a finger prick of blood, our unique, VISITECT® CD4 products improve access to care for people living with HIV by determining their immune status. Focused on low- and middle-income countries, our tests enable faster results, improved patient management and enhanced decision making – reducing the burden and impact of HIV/AIDS globally.

More recently, as a part of the UK Government's Rapid Test Consortium, we have been developing a range of COVID-19 tests. With a strong focus on quality and accuracy, our goal is to help the UK, and health agencies around the world, proactively manage the disease.

Scientific marketing and education remains a key focus to our approach in the markets we serve. Through education, key stakeholders such as government healthcare organisations or health workers are empowered to provide the best possible care and management of disease in their locale.

Our markets

The spectre of HIV remains a pressing global public health challenge, the burden of disease comprises 38 million people living with HIV whilst the latest data available confirms 1.7 million new infections in 2019 (UNAIDS). Access to robust and convenient diagnostic tests continues to pose challenges in low- and middle-income countries, particularly for the 30-40% of patients presenting for care who are in the advanced stages of HIV, when opportunistic infections can be life-threatening.

With the United Nations Strategic Development Goal 3.3, to "end the epidemic of AIDS" deliverable by 2030, there is broad acceptance that addressing advanced HIV disease is a critical factor in controlling the HIV epidemic and reducing mortality rates. It is for this reason that HIV stakeholders, donors, NGOs and advocacy groups are supporting the World Health Organization's strategy to accelerate identification of advanced HIV disease and introduce a package of care in low- and middle-income countries which encompasses a suite of rapid diagnostic tests for HIV and associated coinfections.

Omega's VISITECT® CD4 portfolio provides international HIV stakeholders, national HIV programmes, implementation agencies and community advisory groups with the means to make informed decisions faster in the fight to end the HIV epidemic. Signing of the Early Market Access Vehicle supply agreement in April 2020 by Clinton Health Access Initiative, Unitaid and Omega Diagnostics saw the VISITECT® CD4 Advanced Disease test become available to eligible public sector buyers in over 130 low- and middle-income countries across Sub Saharan Africa, Asia-Pacific, Eastern Europe and Latin America.

Strengthening of Omega's presence continues to gather pace by the appointment of new distribution partners in these target regions, all of which have a strong track record in the HIV or rapid test sector, and by recruiting direct headcount in East and Southern Africa.

The COVID-19 pandemic has presented nations around the world with an unprecedented challenge with more than 170 million cases and 3.8 million deaths having been recorded. Both in active case finding and surveillance, governmental testing programmes and the private sector are seeking suppliers that can provide high quality tests which can be deployed in decentralised settings and perform reliably.

Our products

VISITECT® CD4 Advanced Disease

Health workers utilise a two-pronged approach in the management of people living with HIV, they check the virus itself (viral load testing) and they want to understand the patient's immune status (CD4 testing). If a person's immune system is compromised, they are susceptible to contracting opportunistic infections which can prove fatal. In 2017, the World Health Organization published guidance on the identification of advanced HIV disease as an individual having a level of 200 CD4+ T cells/mm^3 or lower, and in April 2020, WHO published a Target Product Profile describing the need for device-free point-of-care tests to support the identification of individuals with advanced HIV disease. VISITECT® CD4 Advanced Disease informs specifically whether a patient's CD4 level is above or below 200 CD4+ T cells/mm^3 of blood.

The lateral flow VISITECT® CD4 Advanced Disease rapid test allows health workers to implement same-day CD4 testing, enabling patients to be tested and receive results in a single visit to the healthcare facility. By understanding CD4 status more quickly, clinical decisions can happen faster, and patients may start treatment in a timelier manner, thereby reducing the risk of morbidity or mortality.

There is significant interest in the test with more than 30 different scientific studies utilising VISITECT® CD4 Advanced Disease completed or ongoing in different regions around the world (some already published in peer-reviewed journals), with several more pending. Médecins Sans Frontières (MSF) has published a multi-site diagnostic performance and usability study on VISITECT® CD4 Advanced Disease in Malawi, Zimbabwe and Democratic Republic of Congo.

In light of the pandemic and restrictions to travel, we are developing a dedicated education portal that will allow users to access online training courses and competency assessments wherever they are located. After conducting external consultation this initiative has received strong support from stakeholders and partners in HIV care.

COVID-19

Our aim in COVID-19 is to provide a portfolio of wholly UK-manufactured, high quality lateral flow antigen and antibody rapid tests allied to a best-in-class laboratory testing service for antibody status, the latter incorporating self-collection packs for home sampling. Following significant investment in the Alva manufacturing facility, Omega Diagnostics is in a strong position to capitalise on opportunities in the public and private sectors both in the domestic and overseas markets.

The VISITECT® COVID-19 Antigen kit has demonstrated strong, independent performance data in the UK and Germany, where both studies have been independently published.

Future strategy

Building on the commercial plan currently underway with VISITECT® CD4 Advanced Disease test, establishing strong partnerships to access new or novel products, and focusing on unmet needs, we are seeking to become a leading provider of accessible rapid diagnostic tests in advanced HIV disease care and potentially other niche opportunities in the global health space.

We benefit from a strong network of contacts in academia, clinical care, disease control programmes, reference laboratories and institutes, advocacy, implementation, and community engagement. Allied to this we have extensive experience in the regulatory approval processes necessary to gain acceptance and scale up of our products at both an international and national level.

With a focus on expanding a high quality manufacturing footprint at our facilities in Alva, we are actively progressing a number of projects that will lead to a roadmap of future product launches in the HIV and infectious disease markets.

As an integral part of the strategy, we will maintain a firm commitment to training and education, to building (beneficial) partnerships that support implementation and to ensuring our products make a positive difference to people's lives.

£2.0m invested in facility expansion, layout optimisation for high volume manufacture and new machinery in FY 2021


Omega
Goods In / Goods Out


BIODOT

The year has been dominated by the impact of the pandemic which has presented both challenges and opportunities. We have also restructured our financial reporting into two segments; Global Health which comprises the activities with VISITECT® CD4 and COVID-19, and Health and Nutrition which comprises the activity with food sensitivity testing. This reporting change follows the decision last year to close our allergy division.

For the year ended 31 March 2021, the Group reported revenue of £8.73 million (2020: £9.82 million), an EBITDA loss of £2.17 million (2020: EBITDA profit £0.89 million), and a statutory loss before tax of £3.54 million (2020: loss of £8.30 million). Net cash inflow for the year was £5.83 million, principally due to the placing and open offer in June 2020 which raised £10.5 million (net) as noted in the financing section below and accordingly, the Group balance sheet remains strong and the Directors continue to adopt the going concern basis in preparing its consolidated financial statements.

Financial results summary

Year ended 31 March 2021	**Global Health £**	**Health and Nutrition £**	**Corporate £**	**Total £**
Sales	**1,918,994**	**6,815,869**	**–**	**8,734,863**
EBITDA	**(2,256,608)**	**1,334,080**	**(1,242,721)**	**(2,165,249)**
Statutory (loss)/profit before taxation	**(2,993,403)**	**855,301**	**(1,401,898)**	**(3,540,000)**

Year ended 31 March 2020	Global Health £	Health and Nutrition £	Corporate £	Total £
Sales	647,798	9,170,864	–	9,818,662
EBITDA	(1,953,921)	3,909,495	(1,062,567)	893,007
Statutory (loss)/profit before taxation	(10,633,554)*	3,543,434	(1,207,448)	(8,297,568)

* The prior year statutory loss before taxation included a net exceptional charge of £7.73 million relating to the impairment of intangible assets following the closure of our allergy division.

Revenue from Global Health increased to £1.92 million (2020: £0.65 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 other third parties.

Omega also shipped 37,675 VISITECT® CD4 Advanced Disease tests generating a revenue of £111,362, including sales through the CHAI supply agreement into countries including Nigeria, Uganda, Mozambique and Zimbabwe.

	2021 £	2020 £	+/- %
VISITECT® CD4	**£111,362**	£50,570	120.2%
UK-RTC COVID-19 antibody	**£931,981**	–	N/A
COVID-19 sub-contracting	**£467,606**	–	N/A
COVID-19 ELISA antibody	**£268,195**	–	N/A
Allergy/autoimmune	**–**	£398,678	-100.0%
Other	**£139,850**	£198,550	-29.6%
	£1,918,994	£647,798	196.2%

Revenue from Health and Nutrition decreased by 25.7% to £6.82 million (2020: £9.17 million), due mainly to the impact of the pandemic on the performance of our FoodPrint® laboratory sales which were more adversely impacted due to laboratories having other priorities throughout the pandemic, as well as the laboratories' customers also being affected. Sales of the Food Detective® kit held up well, helped by the performance in China where both the laboratory and self-test versions were approved for use in the year by the National Medical Products Administration ("NMPA"), formerly the China Food and Drug Administration. A summary of Health and Nutrition revenue is in the table below.

	2021 £	2020 £	+/- %
FoodPrint®	**£3,325,159**	£5,852,988	-43.2%
Food Detective®	**£2,524,906**	£2,628,904	-4.0%
CNS laboratory service	**£429,707**	£484,718	-11.3%
Food ELISA/other	**£536,097**	£204,255	162.5%
	£6,815,869	£9,170,865	-25.7%

The gross profit margin percentage has reduced to 51.0% (2020: 64.1%) which has been impacted for two main reasons, firstly the reduction in FoodPrint® laboratory sales noted above which is the Group's highest margin product, and secondly, due to an increase in direct labour personnel within the Global Health division as the Group has invested in the recruitment and training required to increase lateral flow manufacturing capacity.

Administrative overheads increased by £1.23 million to £6.60 million (2020: £5.37 million). Compared to the prior year, a significant amount of research and development (£0.53 million) cost (2020: £0.04 million) was expensed as opposed to being capitalised during the financial year. Foreign exchange losses of £0.12 million were incurred during 2021 compared with gains of £0.04 million in 2020. In addition, following a significant grant of employee share options in January 2020, the cost of which is pro-rated as an overhead expense over the two-year vesting period, a charge of £0.27 million was incurred compared to a prior year charge of £0.05 million. An increase in the overhead related headcount also contributed to an increased wages and salary cost compared to the prior year.

Selling and marketing costs have been maintained at prior year levels at £1.48 million (2020: £1.49 million) as certain recruitment activity has been offset by a reduction in travel costs.

EBITDA and loss before tax

The Group continues to monitor its EBITDA level as being a measure of profit that is more aligned with the cash-generating activities of the business. The Group generated an EBITDA loss in the year of £2.17 million (operating loss before exceptional items of £3.32 with add-backs of £0.46 million for depreciation, £0.42 million for amortisation and £0.27 million for share-based payments). In the prior year, the Group generated an EBITDA profit of £0.89 million (operating loss before exceptional items of £0.32 with add-backs of £0.47 million for depreciation, £0.68 million for amortisation and £0.06 million for share-based payments).

The Group has recorded a statutory loss before tax of £3.54 million (2020: £8.30 million, which included net exceptional charges of £7.73 million).

Segmental performance as presented above and in the notes to the financial statements shows that the Health and Nutrition division remains EBITDA-profitable, even at the reduced levels of business as impacted by the pandemic. The Global Health division shows an EBITDA loss due to the decision to invest in the scale-up of manufacturing capacity of lateral flow tests, both for VISITECT® CD4 and for COVID-19 testing (antibody and antigen testing) which are expected to yield benefits in the coming year.

Taxation

The current year tax credit of £1.44 million includes a current-year credit movement in deferred tax of £1.58 million relating mainly to the favourable tax treatment resulting from the exercising of employee share options during the year and the future exercising of employee share options granted to date but not yet exercised, whereby the difference between the market value and the option grant price is treated as an allowable expense against profit for tax purposes, a prior-year debit movement in deferred tax of £0.28 million and a current-year credit of £0.14 million relating to a receipt from HMRC for surrendering SME R&D tax credits.

We retain cumulative tax losses of approximately £13.9 million that are carried forward and available for offset against future profits. Our UK companies continue to benefit from government policies on tax that encourage investment in research and development activities. In the year a research and development expenditure credit of £0.14 million was accrued in the income statement and is included as a credit within administration costs and is carried as a debtor at 31 March 2021 (2020: £0.15 million). In addition, the prior year RDEC of £0.15 million was received in the year, along with surrendered SME R&D tax credits of £138k relating to the prior year.

Earnings per share

Adjusted earnings per share were (1.0) pence versus (0.2) pence in the prior year. The adjusted loss after tax of £1.71 million (2020: £0.40 million) is calculated on a fully diluted 177.1 million (2020: 140.3 million) shares in issue. Statutory earnings per share were (1.2) pence (2020: (4.9) pence) on statutory loss after tax of £2.10 million (2020: £6.83 million).

Research and development

During the year, we invested a total of £1.46 million in all development activities, a reduction of £0.64 million from the prior year (2020: £2.10 million), representing 16.7% (2020: 21.4%) of Group turnover. Of the total expenditure, £0.93 million (2020: £2.06 million) has been capitalised on the balance sheet in accordance with IAS 38 – Development Costs whilst earlier stage expenditure and expenditure not qualifying in accordance with IAS 38 criteria of £0.53 million (2020: £0.04 million) has been expensed through the income statement. There was no expenditure on allergy following its cessation (2020: £0.88 million).

Expenditure on VISITECT® CD4 reduced to £0.41 million (2020: £0.76 million) and was incurred on completing the WHO prequalification process, increasing the shelf-life of the product, validating reel-to-reel manufacturing and supporting further country registrations in Indonesia, Kenya, Nigeria, Tanzania and Zimbabwe.

In Health and Nutrition, we invested £0.47 million in the year (2020: £0.42 million) on our food sensitivity products and services, with continued improvements in manufacturing yield of FoodPrint® slides, and the commencement of a project to provide a digital platform and an App for patients to easily view their test results to make empowered choices about their health.

Research and development continued

New to the Group during the year was development expense incurred relating to the establishment of a COVID-19 product and service range. In addition, projects commenced relating to the early-stage development of lateral flow tests for tuberculosis and cryptococcus, which will be complementary to the VISITECT® CD4 test, and also an e-learning platform. These new projects incurred total costs of £0.57 million during the year.

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

	2020 £	Incurred in year £	Amortised in year £	**2021 £**
VISITECT® CD4	4,430,087	257,994	(236,445)	**4,451,636**
Food	1,387,120	339,222	(69,355)	**1,656,987**
Other	55,011	330,899	–	**385,910**
Total	5,872,218	928,115	(305,800)	**6,494,533**

Property, plant and equipment

Total expenditure on property, plant and equipment in the year was £1.97 million (2020: £0.20 million). £1.84 million was incurred on the significant redevelopment and on automated manufacturing equipment required for the Alva facility to meet anticipated demand for the COVID-19 lateral flow test opportunities. At the Littleport facility, £0.13 million was incurred on manufacturing and laboratory equipment.

Impact of IFRS 16 - Leases

Following the adoption of IFRS 16, the Group has recognised total right-of-use assets relating to land and property, leasehold improvements and plant with a carrying value on the balance sheet of £1.80 million (2020: £1.73 million).

As at 31 March 2021, the outstanding liabilities in connection with leases recognised under IFRS 16 included short-term liabilities of £0.17 million (2020: £0.09 million) and long-term liabilities of £1.75 million (2020: £1.70 million).

Financing

The principal source of funding of £10.5 million (net) during the year came from the issue of new equity shares as follows:

- Placing of 19,950,000 new ordinary shares at 40p/share which raised gross proceeds of £7.98 million.
- Direct Subscription of 50,000 new ordinary shares at 40p/share which raised gross proceeds of £20,000.
- Open Offer of 7,531,100 new ordinary shares to Qualifying Shareholders on the basis of 1 new ordinary share for every 20 existing ordinary shares held which raised £3.01 million.
- Expenses of the fundraise were c. £0.5 million.

The Group also raised £0.85 million of subscription capital via the exercise of employee share options throughout the year.

As a result of the manufacturing agreement signed with the DHSC in February, the Group received £0.5 million of pre-production payments which can be offset against charges for product once supplies commence (see below). This sum has been included within current liabilities (trade and other payables) on the balance sheet at 31 March 2021.

The Group continues to have a strong relationship with the Bank of Scotland as principal bankers to the Group and in June 2021 we agreed a further renewal of the overdraft facility of £2.0 million (2020: £2.0 million) until 30 June 2022, although it is not anticipated that this facility will be used during the renewal period.

Events since the balance sheet date

As noted above in the Financing section, the Group signed a manufacturing agreement with the DHSC in February. Since the year-end, the Group has received a further £2.0 million of pre-production payments from DHSC, meaning £2.5 million has been received in total. Receipt of these funds enabled the Group to undertake an accelerated refurbishment of its Alva facility in advance of manufacturing tests on behalf of the Government. The full amount received can be offset against charges for product to DHSC once supplies commence and the Group remains ready and willing to meet the requirements of the UK Government as soon as possible.

Regarding the disclosure in note 12 to the financial statements relating to the insolvency of Omega Diagnostics GmbH in 2018, the administrator pursued his claim for repayment of €500,000 through the Lübeck Regional Court which resulted in an oral hearing on 12 April 2021. According to the case law of the Federal Court of Justice, repayments through an intercompany loan account made by Omega Diagnostics Group PLC to Omega Diagnostics GmbH between September 2017 and March 2018, totalling €400k, were not regarded as reparation to creditors because this amount had already been used by Omega Diagnostics GmbH before the application for insolvency was filed and therefore, such amount was no longer available to the creditors.

The court initially stated that repayment of €500k needed to be made but noted that the insolvency administrator as plaintiff had certain legal risks, especially in the enforcement of the claim and proposed a settlement to the parties. The final outcome of the settlement discussions between the parties is that Omega Diagnostics Group PLC has agreed to settle with the plaintiff with a payment €350k to be made on or before 31 July 2021. This outcome is in full and final settlement and, including court costs, means the settled position is expected to be below the provision of €500k within other payables on the balance sheet at 31 March 2021.

Kieron Harbinson
Group Finance Director and Company Secretary
12 July 2021

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.

Key Increase in risk · Decrease in risk · No change in risk

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, rate of growth of the Group's product segments 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.	The Group seeks to mitigate this risk by conducting operations on a broad geographic basis and by introducing new technologies to remain innovative.	Whilst there has been some short-term disruption due to Brexit at a macro level, the Group has not been directly impacted by this. The change in government in the US is seen as likely to lead to less confrontational trade-related talks on the world stage but all governments are having to balance their political aims with the short-term consequences of dealing with the global pandemic.
Brexit		−
Following the UK's departure from the EU and the ending of transitional arrangements on 31 December 2020, there is likely to be ongoing friction with the EU regarding certain trading relationships that could be linked to the situation in Northern Ireland.	The Group earns a significant proportion of its revenues in currencies other than sterling, which can help to mitigate the impact of withdrawal. The Group earns the majority of its revenue outside the UK.	The ending of transitional arrangements on 31 December 2020 has not adversely impacted the Group's main trading operations.

Principal risks and uncertainties continued

Risk and description	Mitigating actions	Change
Regulatory risk The manufacturing, marketing and use of the Group's products are subject to regulation by government and regulatory agencies in many countries. Of importance is the requirement to obtain and maintain approval for a product from the applicable regulatory agencies to enable the Group's products to be marketed. Approvals can require clinical evaluation of data relating to safety, quality and efficacy of a product. Failure to comply with the various regulatory laws can have adverse consequences including increased costs, restrictions, recalls or product suspensions.	The Group continually monitors its product portfolio for fitness for purpose. The Group engages with organisations such as WHO to understand and implement their requirements. The Regulatory team is well under way with its strategy to deal with the new IVD Regulation (2017/746) of 2017 due to complete its transitional phase by May 2022.	 VISITECT® CD4 Advanced Disease received WHO Prequalification in August 2020 and the Chinese version of Food Detective® received self-test approval from the NMPA in November 2020.
Funding/solvency risk The Group continues to require access to funds in excess of the operating cash flow generated by core business operations. There can be no guarantee of success in securing additional sources of external finance.	The Group seeks to mitigate this risk by maintaining good relationships with shareholders and its bank. Achieving positive business performance to increase the share price.	 The Group successfully raised £10.5 million (net) in June 2020 and has received funding support of £2.5 million from DHSC as advance payments for product intended to be supplied under its COVID-19 lateral flow antigen test contract.
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 both UK sites with updated VPNs. Dual factor authentication has been implemented for remote users to access the servers/domains at both UK sites. The IT network has been audited by a specialist IT firm with additional recommendations being implemented.	 Cyber attacks are becoming more powerful and efficient and the threat may be exacerbated as more employees work from home due to the coronavirus pandemic.
Development risk There is no guarantee that development activity will lead to the future launch of products. Such development activity can meet technical hurdles that are unable to be overcome, and market and competition activity can render the output from development activities obsolete. Poor product evaluations could lead to delays in approvals and product launches.	The Group seeks to mitigate the risk around development activities by ensuring that new product candidates undergo a rigorous screening programme. The Group has again reduced expenditure on development compared to prior years.	 Production yields of FoodPrint® slides have increased following investment in the food intolerance business. The Group has successfully developed processes and procedures to allow the manufacture of the VISITECT® CD4 Advanced Disease test at the required scale through careful experimental designs.

Risk and description	Mitigating actions	Change
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 aiming to deploy a digital strategy with an App to increase the customer experience.	⊖ The Group continues to invest and has significantly increased the capacity for automated manufacturing of lateral flow tests.
Operational risk Certain parts of our business may be reliant on single sources of supply or single customer partnerships.	Develop closer relationship with partners. Create strategic sourcing plan and provide forecast information and call-off orders to suppliers to increase on-time delivery for key raw materials.	⊖ Unique suppliers identified for all key raw materials for UK operations.
Pandemic risk The COVID-19 pandemic continues to create uncertainty on a global level. Global economies have been affected by government actions and the ability of companies to operate effectively in the UK continues to be impacted by government lockdown decisions.	Allowing as many staff as possible to work from home. Eliminating travel and holding remote meetings. Adopting social distancing measures in manufacturing spaces to ensure health and safety of all staff who cannot work from home. Increased contact with suppliers and customers to mitigate disruption throughout supply chains. Increased frequency of cleaning the Company's sites. Increased overdraft facility to cover potential short-term disruption to business. Adoption of a Business Continuity Plan.	⊘ Sales in Q1 of the new financial year from our Health and Nutrition division have recovered as compared to the prior period. Through the Group's involvement in the manufacturing of tests for COVID-19, an opportunity to support the UK Government's efforts to combat the pandemic has been presented. The Group continues to assess any longer-term impact from COVID-19 and has updated its financial models that suggest the Group can survive the pandemic for at least the next 12 months. The Group has dealt responsibly and efficiently with a low number of isolated positive cases amongst staff who have been supported throughout the process.
Key employees The Group operates in an industry where the recruitment, training and retention of talented people is critical to the Group being able to deliver successfully on its strategies and objectives. The Group operates in an industry where the recruitment, training and retention of talented people is critical to the Group being able to deliver successfully on its strategies and objectives.	The Group aims to offer competitive salary and benefits packages. Management training programmes are in place. Staff appraisals and development programmes are in place.	⊖ The Group monitors trends in the industry and undertakes a UK-wide salary benchmarking exercise once a year. Whilst there have been some staff losses to competitor companies, the Group's operations have not been adversely affected. The Group has been successful in recruiting additional key individuals throughout the last year who have added to its talent-base and enabled manufacturing scale-up activities to be implemented.

The Group's Board of Directors 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 of Directors considers that, collectively and individually, it has acted in good faith and in ways that are most likely to promote success for the Company and Group during the year ended 31 March 2021, 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 since the COVID-19 pandemic, has decided that opportunities for scaling up manufacturing capacity for lateral flow rapid tests for COVID-19 antibody and antigen testing, along with its VISITECT® CD4, offer 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 Group Strategic Sourcing Director. We plan our forward requirement for critical raw materials, based on our business forecasts, and share this information with suppliers. We frequently place "call-off" purchase orders for longer periods of time which provides good visibility for the supplier and increases the chance of on-time deliveries for our business.

Communication with customers is maintained on a frequent basis under the responsibility of the Commercial Director, who is supported by a team of Regional Sales Managers. The Group has customers in over 75 countries throughout the world and is normally able to meet with customers through attendance at major industry trade shows throughout the year. During the pandemic, the Company 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 benefits of fostering relations with the local community. The Company has previously been involved in offering work placements for schools and university students on site but has been restricted this year due to the pandemic. The Company did take part in an online Graduate Employability Life Sciences Masterclass in February 2021. There were approximately 90 students from Glasgow, Strathclyde, University of the West of Scotland and Glasgow Caledonian Universities in attendance for a half-day. The Company presented a scenario that students had to discuss and resolve in small groups and the Company was able to provide support/encouragement/feedback. The Company also hosted a Q&A about careers at Omega and gave general advice about finding employment post-graduation.

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 teams of each business unit and following is a summary of how we have interacted with the key stakeholder groups comprising employees, shareholders and customers and some of the decisions we have taken.

Shareholders

What is important to them	How we engage	Decisions and outcomes
Growth in shareholder value	The Company undertakes formal investor presentations with institutional and retail shareholders around full-year and half-year results	The Company has formally engaged with Investor Meet Company Limited which has increased the access that shareholders have to listen to management update on the Company's progress
Increased communication on business performance	The Company regularly communicates through social media channels	Retail investors felt the Company could enhance its presence on social media channels which resulted in the Company engaging with a social media company to work in conjunction with the Company's PR advisory firm
Making a success of the COVID-19 lateral flow test opportunities that have presented to the Company	Increased communication via the Company's PR advisory firm to deal with the increased level of information requests coming from shareholders	The Company agreed to increase the budgeted resource allocated for its investor relations activity through Walbrook PR
Providing a long-term vision for our Health and Nutrition business and VISITECT® CD4	Feedback from investors following results presentations are fed back to the Board for review	Where shareholders felt that questions were being avoided in Q&A sessions during results presentations, the Company ensured that responses to all questions were publicised subsequently

Customers

What is important to them	How we engage	Decisions and outcomes
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 keep us connected to the customer	Our ISO13485 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 seek continuous feedback during normal business processes	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
Gaining access to diagnostic tests that empower our healthcare professionals and patients to make informed healthcare decisions		In anticipation of the impact on direct customer interaction due to travel restrictions as a result of the pandemic, and Omega Diagnostics' strong commitment to education and training, we are launching the Global Learning Centre, an interactive online platform which allows users to become competent in the use of the VISITECT® CD4 Advanced Disease test

Employees

What is important to them	How we engage	Decisions and outcomes
Being fairly rewarded and incentivised for their work	The Company invites feedback on pay and benefits in its annual staff survey and monitors trends from leavers through structured exit interviews	The Company has conducted salary benchmarking within its sector in the UK and accessed wider market data from digital recruitment platforms. The Company 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 Company 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 Company 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 Company and our strategy for growth especially during the COVID-19 pandemic	The Company encourages collaboration between departments and sharing of good practice and provides opportunities for secondments and project work	The Company 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 Company 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 Company provided a strategic update via a recorded presentation from the CEO and has provided weekly update 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

Simon Douglas

Non-Executive Chairman

Appointed 11 February 2021

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 on three other venture capital backed Life Science companies and headed up the trade sale of two of these. He is currently Chairman of both Fusion Antibodies plc, an AIM listed CRO providing services for the discovery and development of antibody based therapies and C-Major Medical, a venture capital backed Medical Device Company.

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

Colin King

Chief Executive

Appointed 3 August 2015

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

Kieron Harbinson

Group Finance Director

Appointed 6 August 2002

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

Jag Grewal

Managing Director, Health and Nutrition Division

Appointed 30 June 2011

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

William Rhodes

Non-Executive Director

Appointed 1 May 2013

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

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

Jeremy Millard

Non-Executive Director

Appointed 1 March 2019

Jeremy has 20 years' investment banking experience and was previously a partner at Smith Square Partners LLP where he provided strategic and corporate advice to clients in the science, technology and telecommunications sectors, prior to which he headed up the technology practice at Rothschild in London. Jeremy is currently a Non-executive Director and Chairman of the audit committee of AIM-listed Ilika Plc as well as being on the board of a number of private companies.

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

Introduction

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

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

- the appointment of 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 appointment of Colin King as CEO in December 2017;
- the appointment of Jag Grewal as Managing Director of the Health and Nutrition business unit in addition to his Executive Director role as Commercial Director;
- the introduction of annual Group-wide staff surveys; and
- the implementation of a set of new core values.

Board and Committee structure

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

The Group also has an Audit Committee and a Remuneration Committee. The Remuneration Committee is chaired by William Rhodes 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.

Simon Douglas, Non-Executive Chairman, is also chairman of the following companies:

- Fusion Antibodies plc; and
- C-Major Medical.

Roles and responsibilities of the Board

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

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

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

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

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

The workings of the Board and Committees

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

Simon Douglas, William Rhodes and Jeremy Millard are all considered by the Board to be independent. However, it is noted that all three Directors have previously been granted share options as disclosed on page 29 of the Annual Report.

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

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

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

The Board is provided with appropriate information in advance of Board meetings to enable it to discharge its duties effectively and this includes a report from the Executive members of the Board, along with summary reports from senior managers providing updates on key issues. The Non-Executive Chairman is committed to providing not less than 30 days annually to the Group and the Non-Executive Directors are committed to providing not less than 18 days annually to the Group. In reality, the Non-Executive Directors consistently provide more than this minimum time requirement. The Executive Directors are all full-time positions.

For the last financial year ended 31 March 2021, the number of meetings held, and attendance by each Board member at those meetings he is entitled to attend, is as follows:

	Board	Audit Committee	Remuneration Committee
Simon Douglas*	2/12	–	–
William Rhodes	12/12	2/2	2/2
Jeremy Millard	11/12	2/2	2/2
Colin King	12/12	–	–
Kieron Harbinson	12/12	–	–
Jag Grewal	11/12	–	–

* Simon Douglas attended the two Board meetings in the year he was entitled to attend.

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

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

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

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

The Remuneration Committee

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

Board effectiveness

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

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

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

As Chairman, 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.

The Board seeks advice from external advisers where necessary. This includes its nominated adviser/broker in relation to compliance with the AIM Rules for Companies and advice regarding secondary fundraisings. For example, the Board has received advice from its nomad/broker in relation to the placing and open offer to raise £10.5m net of expenses in June 2020. The Board also regularly seeks legal advice in relation to commercial and property matters. For example, the Board has sought legal advice in relation to the new building construction project which will re-house our Health and Nutrition division within 2021 and in relation to commercial contracts relating to the supply of COVID-19 tests to the UK Government and to third parties.

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

Directors' biographies are listed on pages 22 and 23 of the Annual Report.

Promoting a culture of corporate values

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

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

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

Internal control and risk management

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

The Board has embedded an effective process of managing and monitoring risk through the reorganisation into two business units. The two business units of Health and Nutrition and Global Health now have their own senior management teams ("SMT"), which comprise Executive Directors, plus a number of senior managers across both functions of the Group. SMTs meet on a monthly basis to review key management objectives. SMTs are also responsible for preparing a risk register which is also reviewed at these monthly meetings and analysed for changes using a scoring system of impact and probability, as well as the identification of new risks.

In the year ended 31 March 2021, both SMTs have had to deal with the ongoing crisis management situations related to the global COVID-19 pandemic. This resulted in a COVID-19 response plan being implemented which ensured that the Company continued to operate safely and effectively when certain staff members tested positive for COVID-19. Working practices were adapted wherever necessary to allow significant numbers of people to work from home and social distancing measures have been maintained throughout production areas to allow those people who cannot work from home to continue to attend and operate safely in the Company's premises.

The Annual Report also includes an analysis of key risks along with mitigating actions on pages 17 to 19. Where the management of operational risk requires outside advice, this is sought from expert consultants, and the Group receives this in the areas of employment law and health and safety management.

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

Communication with shareholders

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

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

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

The Group also regularly updates its website and provides updates through social media (Twitter, Facebook and LinkedIn) likely to be of interest to existing and new investors. In addition, the Group's PR consultants provide an additional contact point for investors.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, which runs from pages 1 to 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 14 to 16. In addition, Note 20 to the financial statements includes the Group's objectives, policies and processes for its financial risk management objectives and details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

In June 2020, the Group successfully raised additional equity funds through a placing and open offer from existing and new institutional and retail shareholders which raised £10.5 million net of expenses. The Group also raised £0.85 million of subscription capital via the exercise of employee share options throughout the year. Finally, as a result of the manufacturing agreement signed with the Department of Health and Social Care ("DHSC") in February 2021, the Group received £0.5 million of pre-production payments in February and a further £2.0 million of pre-production payments in April 2021. The Directors have also prepared updated forecasts to 31 July 2022 and have undertaken additional sensitivity analysis. This sensitivity includes a scenario of:

- reducing the Company's revenues from its Health and Nutrition business to a 10% increase over the £6.8m achieved in the year ended 31 March 2021. This growth rate is aligned to the long-term CAGR which has been achieved over the period from 2009 until 2021.
- reducing the Company's revenues from its VISITECT® CD4 business by eliminating the sales of the "350" test to Nigeria and reducing the Advanced Disease volumes by 15% compared to the base case forecast. The percentage reduction selected is based on the fact that the VISITECT® CD4 Advanced Disease test is acknowledged as the world's only instrument-free CD4 test in the market which meets a significant unmet clinical need; and
- reducing expected levels of revenue from DHSC for manufacturing COVID-19 lateral flow antigen tests on their behalf to zero and reducing volumes from the other commercial routes by 75% compared to the base case forecast.

In preparing these forecasts, the Directors included certain cost mitigation measures based mainly on eliminating any new headcount and a reduction in certain marketing/promotional spend in line with the reduced sales. The downside forecast does not take account of any additional expenditure reductions that could be made as needed. As a result of the Group's current cash reserves, the existing overdraft facility of £2 million, which has recently been renewed until 30 June 2022, is not envisaged to be required and has not been relied upon in the Group's base case or sensitised forecasts.

The Directors have considered the principal risks and uncertainties the Group faces taking account of the coronavirus pandemic. While the impact of the pandemic in terms of length, severity and disruption to business is not possible to forecast, it also represents an ongoing opportunity for the business. The Group balance sheet remains strong and the Directors remain comfortable that the Group can survive significant reductions in base case forecasted revenue for at least the period through to 31 July 2022 and have sufficient cash resources in the downside scenario.

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

By order of the Board

Kieron Harbinson
Company Secretary
12 July 2021

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

Remuneration Committee

The Remuneration Committee is comprised of William Rhodes, 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

Kieron Harbinson entered into a service contract with the Group on 23 August 2006, under which he was appointed as Finance Director and Company Secretary on an annual salary of £72,500. His salary was increased to £94,500 per annum from 1 April 2009, then increased to £115,000 per annum from 1 April 2011, then increased to £150,000 per annum on 1 August 2015, and then increased to £165,000 per annum on 1 October 2020. The agreement will continue until terminated by either party giving to the other not less than six months' notice in writing.

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

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

Colin King entered into a service contract with the Group on 3 August 2015, under which he was appointed as Chief Operating Officer on an annual salary of £177,500. His salary was increased to £190,000 on 14 December 2017 when he was appointed Chief Executive, and then increased to £220,000 per annum on 1 October 2020. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

Jeremy Millard was appointed as a Non-executive Director of the Group on 1 March 2019 and is entitled to an annual fee of £25,000. The annual fee was increased to £35,000 with effect from 1 October 2020. 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.

Directors' emoluments

	Fees/basic salary £	Consultancy fees £	Bonuses £	Benefits in kind £	**Total 2021 £**	Total 2020 £
Executive						
Kieron Harbinson	157,580	–	–	2,150	**159,730**	151,778
Jag Grewal	147,080	–	–	288	**147,368**	143,460
Colin King*	205,080	–	–	1,815	**206,895**	193,106
Non-Executive						
Simon Douglas	7,333	–	–	–	**7,333**	–
William Rhodes	10,000	40,000	–	–	**50,000**	50,000
Jeremy Millard	30,000	–	–	–	**30,000**	25,000
	557,073	40,000	–	4,253	**601,326**	563,344

* Indicates the highest paid Director.

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

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

Directors' pension contributions

	2021 £	2020 £
Kieron Harbinson	**7,875**	7,500
Jag Grewal	**7,321**	7,000
Colin King	**10,250**	7,917
	25,446	22,417

Directors' interests in ordinary shares

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

	31 March 2021	31 March 2020
Kieron Harbinson	**542,531**	681,617
Jag Grewal	**235,746**	213,246
Colin King	**818,253**	768,253
William Rhodes	**–**	–
Jeremy Millard	**525,000**	500,000

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

Directors' share options

	At 1 April 2020	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2021	Option price	Date of grant	Earliest exercise date	Expiry date
William Rhodes	2,130,406	–	–	(1,050,000)	**1,080,406**	15.3p	04/07/13	04/07/14	04/07/23
Kieron Harbinson	300,000*	–	–	(300,000)	**–**	14.5p	05/07/12	05/07/15	05/07/22
	640,000**	–	–	(640,000)	**–**	30.5p	25/02/14	25/02/17	25/02/24
	750,000***	–	–	–	**750,000**	15.4p	23/01/20	23/01/22	23/01/30
Jag Grewal	100,000	–	–	(100,000)	**–**	13.3p	12/08/11	12/08/12	12/08/21
	200,000*	–	–	(110,000)	**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
Colin King	1,200,000**	–	–	–	**1,200,000**	13.0p	29/09/15	29/09/18	29/09/25
	950,000***	–	–	–	**950,000**	15.4p	23/01/20	23/01/22	23/01/30
Jeremy Millard	500,000	–	–	(166,666)	**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

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 William Rhodes, 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 options exercised in the year by Kieron Harbinson, Jag Grewal and Jeremy Millard were exercised at the option prices noted in the table above. All ordinary shares were subsequently sold at an average price of 87.28 pence per share. In addition, Kieron Harbinson sold 175,000 ordinary shares in the Company at an average price of 89.76 pence per share.

The share options exercised in the year by Bill Rhodes were exercised at the option price noted in the table above. All ordinary shares were subsequently sold as to 300,000 shares at an average price of 87.28 pence per share, 450,000 shares at an average price of 91.115 pence per share and 300,000 shares at an average price of 79.31 pence per share.

The share price at 31 March 2021 was 80.5 pence. The highest and lowest share prices during the year were 107.0 pence and 7.53 pence respectively.

Approved by the Board

William Rhodes
Non-Executive Director
12 July 2021

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2021.

Principal activities

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

Results and dividends

The result for the year is a loss of £2,104,310 (2020: loss of £6,828,312), which has been taken to reserves. The Directors do not propose to pay a dividend. The results are disclosed in more detail in the Strategic Report on pages 1 to 21.

The Company profit for the year ended 31 March 2021 is £512,943 (2020: loss of £7,623,499).

Future development

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

Research and development

Details of research and development activity are contained in the Financial Review on pages 14 to 16. Costs in the year amounted to £1,460,384 (2020: £2,100,320). Costs of £532,269 in relation to research and development activities (2020: £37,631) were expensed through the statement of comprehensive income and costs of £928,115 in relation to product development (2020: £2,062,689) were capitalised and included within intangible assets as detailed in Note 7.

Directors

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

- Simon Douglas (appointed 11 February 2021);
- Jag Grewal;
- Kieron Harbinson;
- Colin King;
- Jeremy Millard; and
- William Rhodes.

Biographies of all Directors serving at the year-end are on pages 22 and 23.

Directors' interests

The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report on pages 28 and 29. There are no non-beneficial interests held by Directors. In June 2020, the following Directors each purchased ordinary shares of 4 pence each in the capital of the Company at a price of 40 pence per ordinary share. Kieron Harbinson sold 175,000 shares in the year at an average price of 89.76 pence per share. Each Director's number of shares purchased and sold during the year and his total holding at the year-end are shown in the table below:

	Number of shares held at 31 March 2020	Number of shares purchased In year	Number of shares sold In year	**Number of shares held at 31 March 2021**
Simon Douglas	–	–	–	**–**
Jag Grewal	213,246	22,500	–	**235,746**
Kieron Harbinson	681,617	35,914	(175,000)	**542,531**
Colin King	768,253	50,000	–	**818,253**
Jeremy Millard	500,000	25,000	–	**525,000**
William Rhodes	–	–	–	**–**

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 Note 2 and Note 20. The Strategic Report contains details of the Group's system of internal control.

Auditors

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

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 30. 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 2021, no shareholder has notified the Group that it holds 3% or more of the Group's issued ordinary share capital:

No significant changes have occurred since 30 June 2021.

By order of the Board

Kieron Harbinson
Company Secretary
12 July 2021

The Directors are responsible for preparing the Annual Report and Group and Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

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

Opinion

In our opinion:

- Omega Diagnostics Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and 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 2021 which comprise:

Group	Parent company
Consolidated Statement of Comprehensive Income for the year ending 31 March 2021	Company Balance Sheet as at 31 March 2021
Consolidated Balance Sheet as at 31 March 2021	Company Statement of Changes in Equity for the year ending 31 March 2021
Consolidated Statement of Changes in Equity for the year ending 31 March 2021	Company Cash Flow Statement for the year ending 31 March 2021
Consolidated Cash Flow Statement for the year ending 31 March 2021	Related notes 1 to 21 to the financial statements, including a summary of significant accounting policies
Related notes 1 to 21 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and engaged with management early to ensure all key factors were considered in their assessment.
- We obtained and challenged management's going concern assessment, including the cash forecast models for the going concern period ending 31 July 2022. The Group has modelled a downside scenario, by incorporating severe but plausible changes to key assumptions, including significantly reduced sales volumes, to determine the impact on forecast liquidity of the Group."
- We have challenged the factors and assumptions included in each modelled scenario for the cash forecasts.
- We considered the appropriateness of the methods used to calculate the cash forecasts and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We considered the mitigating factors included in the cash forecasts that are within the control of the Group, which included discretionary capital expenditure and potential cost reductions available. This included our review of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required. We also verified actual current cash positions and credit facilities available to the Group through review of bank statements and facility agreements.
- We have performed reverse stress testing, including consideration of its plausibility, principally related to further volume reductions in relation to delayed contracts, in order to identify what factors would lead to the Group utilising all liquidity during the going concern period.

Conclusions relating to going concern continued

- We considered potential events occurring after the going concern period and concluded that no forecasted events would materially change the going concern assessment.
- We reviewed the Group's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

The overall activities of the Group have benefited from the COVID-19 pandemic in the form of supply contracts for lateral flow testing kits (which are covered below).

The Group experienced a return to pre-pandemic levels of revenue and profitability within the Food and Nutrition segment through the final quarter of the year ended 31 March 2021 which continued through the first quarter of the current financial period. Management have also identified controllable costs of approx. £6m that are within their control to eliminate if trading levels were to decline over the going concern period. These factors and the Group cash resources, which totalled £5.4 million at 30 June 2021, were important in the Group's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period ending 31 July 2022.

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 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 96% of Gross Margin, 97% of Revenue and 99% of Total assets.
Key audit matters	• Risk of inappropriate revenue recognition • Risk of inappropriate revenue recognition specifically in relation to new COVID-19 related contracts • Risk of inappropriate capitalisation of R&D spend • Risk of impairment of capitalised development costs
Materiality	• Overall group materiality of £78k which represents 1.75% of Gross Margin.

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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 company. All audit work was performed by the primary audit engagement team.

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

Of the 2 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.

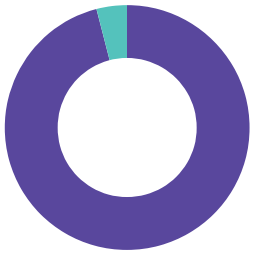
The reporting components where we performed audit procedures accounted for 96% (2020: 93%) of the Group's Gross Margin, 97% (2020: 96%) of the Group's Revenue and 99% (2020: 99%) of the Group's Total assets.

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

Tailoring the scope continued

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

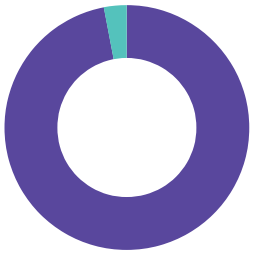
Gross Margin



96% Full scope components

4% Other procedures

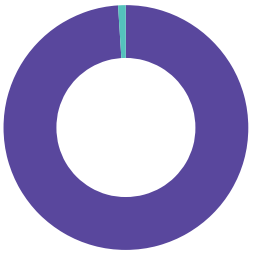
Revenue



97% Full scope components

3% Other procedures

Total assets



99% Full scope components

1% Other procedures

Changes from the prior year

There have been no changes in scope from the prior year.

Involvement with component teams

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

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition (£8.7m, PY comparative £9.8m) Refer to the Accounting policies (page 51) and Note 6 of the Consolidated Financial Statements (page 57) 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 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 monthly analytical reviews 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 2 locations, which covered 97% of the risk amount.	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 manual journal postings near year end and related to any judgements or assumptions applied by management, we had identified no material issues. • Revenue had been recorded appropriately 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 revenue recognition specifically in relation to new COVID-19 related contracts (£1.7m, PY comparative nil) The Group has entered into new commercial agreements to manufacture and supply COVID-19 testing kits. The risk around inappropriate revenue recognition specifically relating to these agreements arises due to the potential of management misrepresenting or misinterpreting commercial terms within new significant contracts.	Our audit response consisted of several procedures including those summarised below: • Challenged key management to understand the new contracts entered into during FY21 and review management assessment of the terms of these contracts in line with IFRS 15. • Reviewed all new agreements including the terms and conditions, to understand the terms of business and any potential impact on revenue recognition, discounts, and rebates. • Substantively tested a sample of transactions in the year to confirm that any revenue adjusting terms or conditions have been recorded in accordance with the contract. For example, any agreed discounts are applied to sales invoices during the year or volume-based rebates are tracked to ensure any revenue adjustment is recorded together with the associated liability. We performed full scope audit procedures over this risk area in 2 locations, which covered 100% of the risk amount.	We communicated to the Audit Committee that: • From our challenge of management's assessment and independent review of contract terms, we conclude that management have appropriately interpreted the terms of the contracts and applied a method of revenue recognition in accordance with IFRS 15. Detailed testing of revenue transactions allows us to conclude that revenue has been recognised appropriately in line with contract terms.
Risk of inappropriate capitalisation of Research and Development (R&D) spend (£0.9m, PY comparative £2.1m) Refer to the Accounting policies (page 48); and Note 7 of the Consolidated Financial Statements (page 61) The Group continues to invest in its development programs and has significant expenditure which is capitalised on the balance sheet rather than expensed through the income statement as incurred on the basis of meeting the recognition requirement of IAS 38. The application of the recognition criteria under IAS 38 and the assessment of the effectiveness of the expenditure capitalised are highly judgemental and open to management override, providing opportunity to distort income statement performance. This risk has not changed from the prior year.	Our audit response consisted of several procedures including those summarised below: • Review and update our understanding of the development projects being undertaken by the Group through interviews with the Research and Development director, online and media research and discussions with key management. • Challenged non-finance staff, including research scientists who are actively involved in the research and development activities of the group as appropriate to support our understanding of the Group's developments projects and key assumptions taken by management. • Challenge key assumptions made by management in their application of IAS 38 recognition criteria to determine whether or not costs capitalised meet the requirements of the standard. • Detailed sample testing of additions to supporting documentation to confirm that the types of costs capitalised are appropriate and consistent with IAS 38. • Searching for indicators of any ineffective spend, by interviews and discussions with lead scientists/ engineers surrounding project progress and any issues encountered to date, and through the corroboration to board meeting minutes. • Assess the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area in 2 locations, which covered 97% of the risk amount.	We communicated to the Audit Committee that: • Through challenge of management's key assumptions and independent sampling of capitalised costs recorded, we concluded that management's judgements are appropriate and have been applied in accordance with IAS 38. • Corroborating evidence obtained from discussions with non-finance personnel and independent market research confirmed the status of development projects and their appropriateness to be capitalised under IAS 38. Based on the audit procedures performed we have concluded that there have been no issues of inappropriate capitalisation of R&D.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of impairment of capitalised development costs (£6.5m, PY comparative £5.9m) Refer to the Accounting policies (page 48); and Note 7 of the Consolidated Financial Statements (page 61) The Group has significant intangible assets as a result of capitalised development spend arising from products in development. For the products in development, the main judgements relate to achieving successful trial results and obtaining required clinical and regulatory approvals. The risk is that there may be errors in these judgements. Assessment of the recoverability of the assets is based on forecasting and discounting future cash flows, which are inherently highly judgemental. This risk has not changed from the prior year.	Our audit response consisted of several procedures including those summarised below: • Management have undertaken an initial assessment as to identification of any impairment indicators for each CGU. We have assessed and considered the appropriateness of conclusions. For any CGUs that indicators of impairment have been identified, we have obtained managements impairment assessment and challenged appropriateness of assumptions applied. Our challenge of the assumptions has included engaging with valuation specialists, seeking contradictory evidence and independently corroborating judgements through review of appropriate external research & challenge non-finance members of management (such as R&D and sales teams). • Perform sensitivity analyses, to assess the level of sensitivity to key assumptions, and focused our procedures in those areas. • Assess the reasonableness of the Group's assumptions regarding future order intake through consideration of the current phase of development and comparison to industry practice. • Challenge internally generated evidence by reviewing analyst forecasts, and retrospective assessment of the accuracy of the Group's projections. As well as, existence of any contradictory evidence, through the review of board minutes, relevant market data and post year end results. • Assess the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area in 2 locations, which covered 100% of the risk amount.	We communicated to the Audit Committee that: • Discussions with R&D personnel and independent market research corroborated the appropriateness of assumptions applied in relation to the progress made on development activities and key developments within the wider market. • Through challenge of management's key assumptions and approach to calculating the recoverable value of Food and Nutrition intangible assets, we conclude that management's approach to this assessment is appropriate. • Assessments performed by EY valuations specialists concluded that the discount rate applied by management is appropriate. • Independent sensitivity analysis corroborates management's conclusion that Food and Nutrition intangible assets are not impaired. • Independent assessment over indicators of impairment for Global Health intangible assets including market research and discussions with non-finance personnel concluded that no indicators of impairment exist concurrent with management's assessment. • Financial statement disclosures made by management have been reviewed and deemed to be appropriate under IFRS. Based on the audit procedures performed we have concluded that the assumptions made by management are reasonable and no impairment issues have been identified.

In the prior year, our auditor's report included a key audit matter in relation to Management's consideration of going concern given the downturn in the global economy as a result of the pandemic; however, following the Group's fundraising during the year, we do not assess this as a key audit matter for the current year. Additionally, the Group has benefited from the impact of COVID-19 in the form of supply contracts and therefore this does not meet the key audit matter definition.

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 £78k (2020: £94k), which is 1.75% (2020: 1.5%) of Gross Margin. 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 underlying business.

We determined materiality for the Parent Company to be £354k (2020: £258k), which is 2% (2020: 2%) of total equity. The Parent Company is not a trading entity; therefore, we consider it appropriate to prepare materiality on this basis.

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 75% (2020: 75%) of our planning materiality, namely £59k (2020: £71k). We have set performance materiality at this percentage due to various considerations including the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the internal control environment and other factors affecting the entity and its financial reporting.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £44k to £53k (2020: £53k to £64k).

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 £3.2k (2020: £4.7k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 32, other 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 there is 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 32, 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.

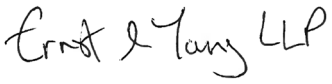
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- 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. 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.



Paul Copland (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
12 July 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	2021 £	2020 £
Continuing operations			
Revenue	6	**8,734,863**	9,818,662
Cost of sales		**(4,276,188)**	(3,524,689)
Gross profit		**4,458,675**	6,293,973
Administration costs		**(6,602,843)**	(5,374,849)
Selling and marketing costs		**(1,479,564)**	(1,490,283)
Other income		**301,817**	257,930
Operating loss before exceptional items	6	**(3,321,915)**	(313,229)
Exceptional items	6	**–**	(7,732,532)
Operating loss after exceptional items		**(3,321,915)**	(8,045,761)
Finance costs	4	**(218,085)**	(251,807)
Loss before taxation		**(3,540,000)**	(8,297,568)
Tax credit	5	**1,435,690**	75
Tax credit – exceptional item	5	**–**	1,469,181
Loss for the year		**(2,104,310)**	(6,828,312)
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		**(3,187)**	(29,862)
Recycling of translation revenue on foreign operations		**–**	(78,493)
Tax credit		**2,294**	8,724
Other comprehensive income for the year		**(893)**	(99,631)
Total comprehensive income for the year		**(2,105,203)**	(6,927,943)
Earnings per share (EPS)			
Basic and diluted EPS on loss for the year	19	**(1.2)p**	(4.9)p

ALTERNATIVE PERFORMANCE MEASURE – ADJUSTED LOSS BEFORE TAXATION

for the year ended 31 March 2021

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

	Note	2021 £	2020 £
(Loss)/profit before taxation		**(3,540,000)**	(8,297,568)
Exceptional items		**–**	7,732,532
Amortisation of intangible assets		**119,607**	115,271
Share-based payment charges		**270,263**	54,092
Adjusted loss before taxation		**(3,150,130)**	(395,673)
Earnings per share (EPS)			
Adjusted EPS on loss for the year	19	**(1.0)p**	(0.2)p

Adjusted 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 and share-based payment charges.

CONSOLIDATED BALANCE SHEET

as at 31 March 2021

	Note	2021 £	2020 £
ASSETS			
Non-current assets			
Intangibles	7	**10,181,587**	9,676,669
Property, plant and equipment	8	**3,077,850**	1,432,042
Right of use assets	8	**1,801,325**	1,731,827
Deferred taxation	13	**3,688,392**	1,538,443
Total non-current assets		**18,749,154**	14,378,981
Current assets			
Inventories	9	**2,237,787**	1,169,115
Trade and other receivables	10	**4,175,208**	3,287,702
Cash and cash equivalents		**5,827,306**	–
Total current assets		**12,240,301**	4,456,817
Total assets		**30,989,455**	18,835,798
EQUITY AND LIABILITIES			
Equity			
Issued capital		**33,315,797**	22,010,384
Retained earnings		**(9,600,371)**	(8,364,109)
Other reserves		**(41,137)**	(37,950)
Total equity		**23,674,289**	13,608,325
Liabilities			
Non-current liabilities			
Long-term borrowings	11	**711,896**	131,487
Lease liabilities	8	**1,752,065**	1,703,570
Deferred taxation	13	**1,153,362**	898,734
Deferred income	12	**147,277**	155,495
Total non-current liabilities		**3,764,600**	2,889,286
Current liabilities			
Short-term borrowings	11	**205,704**	85,678
Lease liabilities	8	**172,646**	87,018
Bank overdraft		**–**	565,166
Trade and other payables	12	**3,172,216**	1,600,325
Total current liabilities		**3,550,566**	2,338,187
Total liabilities		**7,315,166**	5,227,473
Total equity and liabilities		**30,989,455**	18,835,798

Simon Douglas
Non-Executive Chairman
12 July 2021

Kieron Harbinson
Group Finance Director
12 July 2021

Omega Diagnostics Group PLC
Registered number: 5017761

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Issued capital £	Retained earnings £	Translation reserve £	Total £
Balance at 31 March 2019	19,797,343	(1,677,106)	70,405	18,190,642
Loss for year ended 31 March 2020	–	(6,828,312)	–	(6,828,312)
Other comprehensive income – net exchange adjustments	–	–	(29,862)	(29,862)
Other comprehensive income – net exchange adjustments recycled	–	78,493	(78,493)	–
Other comprehensive income – tax charge	–	8,724	–	8,724
Total comprehensive income for the year	–	(6,741,095)	(108,355)	(6,849,450)
Issue of share capital for cash consideration	2,343,395	–	–	2,343,395
Expenses in connection with share issue	(130,354)	–	–	(130,354)
Share-based payments	–	54,092	–	54,092
Balance at 31 March 2020	22,010,384	(8,364,109)	(37,950)	13,608,325
Loss for year ended 31 March 2021	–	(2,104,310)	–	(2,104,310)
Other comprehensive income – net exchange adjustments	–	–	(3,187)	(3,187)
Other comprehensive income – tax credit	–	2,294	–	2,294
Total comprehensive income for the year	–	(2,102,016)	(3,187)	(2,105,203)
Issue of share capital for cash consideration	11,856,381	–	–	11,856,381
Expenses in connection with share issue	(550,968)	–	–	(550,968)
Share-based payments	–	270,263	–	270,263
Deferred tax credit related to share-based payments	–	595,491	–	595,491
Balance at 31 March 2021	**33,315,797**	**(9,600,371)**	**(41,137)**	**23,674,289**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2021

	Note	2021 £	2020 £
Cash flows generated from operations			
Loss for the year		**(2,104,310)**	(6,828,312)
Adjustments for:			
Exceptional item – impairment		**–**	7,732,532
Taxation		**(1,435,690)**	(75)
Taxation – exceptional item		**–**	(1,469,181)
Finance costs	4	**218,085**	251,807
Operating loss before working capital movement		**(3,321,915)**	(313,229)
Increase in trade and other receivables		**(887,506)**	(798,313)
Increase in inventories		**(1,068,672)**	(168,415)
Increase in trade and other payables		**1,571,898**	138,351
Gain on sale of property, plant and equipment		**–**	3,672
Depreciation	6	**460,996**	473,185
Amortisation of intangible assets	7	**425,407**	678,939
Movement in grants		**(8,218)**	306,391
Share-based payments		**270,263**	54,092
Taxation received		**138,158**	172,934
Cash flow from operating activities		**(2,419,589)**	547,607
Investing activities			
Purchase of property, plant and equipment	8	**(1,964,816)**	(201,584)
Purchase of intangible assets		**(859,834)**	(1,952,259)
Net cash used in investing activities		**(2,824,650)**	(2,153,843)
Financing activities			
Finance costs	4	**(218,085)**	(251,807)
Proceeds from issue of share capital		**11,856,381**	2,343,395
Expenses in connection with share issue		**(550,968)**	(130,353)
New asset finance arrangements		**796,305**	150,000
Repayment of overdraft facility		**(565,166)**	(179,542)
Lease and asset finance repayments		**(244,449)**	(295,643)
Net cash from financing activities		**11,074,018**	1,636,050
Net increase in cash and cash equivalents		**5,829,779**	29,814
Effects of exchange rate movements		**(2,473)**	(29,814)
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**5,827,306**	–

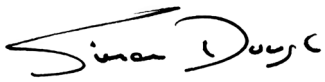
COMPANY BALANCE SHEET

as at 31 March 2021

	Note	2021 £	2020 Restated £
ASSETS			
Non-current assets			
Investments	18	**4,661,228**	4,417,385
Intangibles	7	**31,055**	31,055
Deferred tax	13	**1,070,183**	299,904
Intercompany receivables		**12,829,808**	7,937,068
Total non-current assets		**18,592,274**	12,685,412
Current assets			
Trade and other receivables	10	**50,889**	36,352
Cash and cash equivalents		**5,543,507**	–
Total current assets		**5,594,396**	36,352
Total assets		**24,186,670**	12,721,764
EQUITY AND LIABILITIES			
Equity			
Issued capital		**34,305,472**	23,000,059
Retained earnings		**(10,355,324)**	(11,393,535)
Total equity		**23,950,148**	11,606,524
Liabilities			
Current liabilities			
Bank overdraft		**–**	889,511
Trade and other payables	12	**236,522**	225,729
Total current liabilities		**236,522**	1,115,240
Total liabilities		**236,522**	1,115,240
Total equity and liabilities		**24,186,670**	12,721,764

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

The Company profit in the year was £512,943 (2020: loss of £7,623,499).



Simon Douglas
Non-Executive Chairman
12 July 2021

Kieron Harbinson
Group Finance Director
12 July 2021

Omega Diagnostics Group PLC
Registered number: 5017761

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2019 as previously stated	6,187,574	14,599,444	(4,571,737)	16,215,281
Restatement of share-based payments (note 6)			747,609	747,609
Balance at 31 March 2019 restated	6,187,574	14,599,444	(3,824,128)	16,962,890
Loss for the year ended 31 March 2020 as previously stated	–	–	(7,651,327)	(7,651,327)
Restatement of share-based payments (note 6)			27,828	27,828
Total comprehensive income for the year restated	–	–	(7,623,499)	(7,623,499)
Issue of share capital for cash consideration	937,118	1,406,277	–	2,343,395
Expenses in connection with share issue	–	(130,354)	–	(130,354)
Share-based payments	–	–	54,092	54,092
Balance at 31 March 2020	7,124,692	15,875,367	(11,393,535)	11,606,524
Profit for the year ended 31 March 2021	–	–	512,943	512,943
Other comprehensive income – tax credit	–	–	2,294	2,294
Total comprehensive income for the year	–	–	515,237	515,237
Issue of share capital for cash consideration	1,275,311	10,581,070	–	11,856,381
Expenses in connection with share issue	–	(550,968)	–	(550,968)
Share-based payments	–	–	131,225	131,225
Deferred tax credit related to share-based payments	–	–	391,749	391,749
Balance at 31 March 2021	**8,400,003**	**25,905,469**	**(10,355,324)**	**23,950,148**

COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2021

	2021 £	2020 Restated £
Cash flows generated from operations		
Profit/(loss) for the year	**512,943**	(7,623,499)
Adjustments for:		
Impairment of intangible assets	**–**	1,500,731
Write down of investment in subsidiaries	**–**	6,360,154
Taxation	**(376,236)**	(299,904)
Finance costs	**27,952**	90,789
Operating profit before working capital movement	**164,659**	28,271
Increase in trade and other receivables	**(14,537)**	(9,755)
Increase in trade and other payables	**10,794**	52,382
Share-based payments	**131,225**	26,264
Cash flow from operating activities	**292,141**	97,162
Investing activities		
Intercompany financing	**(4,892,737)**	(2,057,380)
Investment in subsidiaries	**(243,847)**	–
Net cash used in investing activities	**(5,136,584)**	(2,057,380)
Financing activities		
Finance costs	**(27,952)**	(90,789)
Proceeds from issue of share capital	**11,856,381**	2,343,395
Expenses of share issue	**(550,968)**	(130,353)
Repayment of overdraft facility	**(889,511)**	(162,035)
Net cash from financing activities	**10,387,950**	1,960,218
Net decrease in cash and cash equivalents	**5,543,507**	–
Cash and cash equivalents at beginning of year	**–**	–
Cash and cash equivalents at end of year	**5,543,507**	–

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 2021 were authorised for issue by the Board of Directors on 12 July 2021, and the balance sheets were signed on the Board's behalf by Simon Douglas and Kieron Harbinson. Omega Diagnostics Group PLC is a public limited company incorporated in England. The Company's ordinary shares are traded on AIM.

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements. These financial statements are presented in sterling and have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- Health and Nutrition; and
- Global Health and Other.

Basis of consolidation

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

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the payment of liabilities in the ordinary course of business. The Group realised a loss of £2.10 million for the year ended 31 March 2021 (2020: loss of £6.83 million). As at 31 March 2021, the Group had net current assets of £8.7 million and an overdraft facility of £2 million, of which £2 million was undrawn.

In June 2020, the Group successfully raised additional equity funds through a placing and open offer from existing and new institutional and retail shareholders which raised £10.5 million net of expenses. The Group also raised £0.85 million of subscription capital via the exercise of employee share options throughout the year. Finally, as a result of the manufacturing agreement signed with the DHSC in February 2021, the Group received £0.5 million of pre-production payments in February and a further £2.0 million of pre-production payments in April 2021. The Directors have also prepared updated forecasts to 30 September 2022 and have undertaken additional sensitivity analysis. This sensitivity includes a scenario of:

- reducing the Company's revenues from its Health and Nutrition business to a 10% increase over the £6.8m achieved in the year ended 31 March 2021. This growth rate is aligned to the long-term CAGR which has been achieved over the period from 2009 until 2021;
- reducing the Company's revenues from its VISITECT® CD4 business by eliminating the sales of the "350" test to Nigeria and reducing the Advanced Disease volumes by 15% compared to the base case forecast. The percentage reduction selected is based on the fact that the VISITECT® CD4 Advanced Disease test is acknowledged as the world's only instrument-free CD4 test in the market which meets a significant unmet clinical need; and
- reducing expected levels of revenue from DHSC for manufacturing COVID-19 lateral flow antigen tests on their behalf to zero and reducing volumes from the other commercial routes by 75% compared to the base case forecast.

In preparing these forecasts, the Directors included certain cost mitigation measures based mainly on eliminating any new headcount and a reduction in certain marketing/promotional spend in line with the reduced sales. The downside forecast does not take account of any additional expenditure reductions that could be made as needed. As a result of the Group's current cash reserves, the existing overdraft facility of £2 million, which has recently been renewed until 30 June 2022, is not envisaged to be required and has not been relied upon in the Group's base case or sensitised forecasts.

The Directors have considered the principal risks and uncertainties the Group faces taking account of the coronavirus pandemic. While the impact of the pandemic in terms of length, severity and disruption to business is not possible to forecast, it also represents an ongoing opportunity for the business. The Group balance sheet remains strong and the Directors remain comfortable that the Group can survive significant reductions in base case forecasted revenue for at least the period through to 31 July 2022 and have sufficient cash resources in the downside scenario.

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

2 Accounting policies continued

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 or statutory Company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Other intangible assets

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

Technology assets	–	5 to 20 years
IAS38 Development costs	–	5 to 20 years
Software	–	5 years
Licences	–	17 to 20 years
Customer relationships	–	non-amortising

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

Research and development costs

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

Property, plant and equipment

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

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

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

Leases

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

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

2 Accounting policies continued

Asset finance arrangements

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

Impairment of assets

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

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

Inventories

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

Trade receivables

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

Significant financial difficulty or significantly extended settlement periods are considered to be indicators of impairment. Normal average payment terms vary from payment in advance to 90 days. Balances are written off when the probability of recovery is assessed as remote.

Provision for expected credit losses (ECLs) of trade receivables

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. Included in cash and cash equivalents at 31 March 2021 is an amount of £500,000 received from the Department of Health and Social Care (DHSC) by way of funding towards the establishment of capability and capacity within the Group to manufacture COVID-19 antigen test kits for them in volume. This cash will be amortised and recovered by DHSC against sales made by the Group to them over the contract period. Should DHSC not place orders for these tests, then there is no requirement to repay this amount to them, unless the Group fails to meet its contractual obligations or initiates cancellation of the contract.

2 Accounting policies continued

Financial instruments

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

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

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

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

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

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

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

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

Any bad debt write offs require senior finance sign-off. The Group finance team reviews debtor balances on a weekly basis and at the balance sheet date.

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

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

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

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

Company's investments in subsidiaries

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

Foreign currency translation

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

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

2 Accounting policies continued

IFRS 15 - Revenue from Contracts with Customers

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and net of discounts and sales-related taxes. Sales of goods are recognised when the significant risks and rewards of ownership are transferred to the customer. This will be when goods have been despatched and the collection of the related receivable is reasonably assured. Revenue relates to the sale of medical diagnostic kits. 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. In the year the Group participated in the Government's Coronavirus Job Retention Scheme to mitigate cash outflows. Participation in this scheme allowed the Group to reclaim an element of employee pay from the Government, offsetting the gross cost. The total reclaimed and offset against employee pay was £226,255, which was credited to the income statement upon receipt.

Low value leases

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

Share-based payments

Equity-settled transactions

For equity-settled transactions, the Group measures the award by reference to the fair value at the date at which they are granted and it is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In certain circumstances, such as death of an employee, the Directors can amend the vesting period at their discretion. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than conditions linked to the price of the shares of the Company (market conditions).

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

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

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

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

Pensions

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

2 Accounting policies continued

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax and deferred tax are charged or credited in other comprehensive income or directly to equity if they relate to items that are credited or charged in other comprehensive income or directly to equity. Otherwise, income tax and deferred tax are recognised in profit or loss.

Use of estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimation uncertainty and critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the financial information are as follows:

Carrying value of intangible assets

Management judgement is required to estimate the useful lives of intangible assets, having reference to future economic benefits expected to be derived from use of the asset. Economic benefits are based on the fair values of estimated future cash flows. 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. Management have selected 20 years for amortising the development costs of the VISITECT® CD4 product, because we consider the market for this product to be unique and underdeveloped, with no near term competitor on the landscape providing a greater and longer potential for future economic growth. The period selected for amortisation in relation to the Food and Nutrition products is five years as there is there is some competitor activity in this space.

Carrying value of goodwill

Goodwill is tested annually for impairment. The test considers future cash flow projections of cash-generating units that give rise to the goodwill. Where the discounted cash flows are less than the carrying value of goodwill, an impairment charge is recognised for the difference. Any risk of variability to the carrying value of goodwill is considered to occur only over a longer timeframe than the next financial year. Further analysis of the estimates and judgements is disclosed in Note 7.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies and having regard to their strategic planning processes when making these judgements. Prospective products undergo an internal screening process before significant resources are committed to development, increasing the chances of successful commercialisation and the ability to generate future profits. The balance at 31 March 2021 will be offset against future profits expected to be generated from the prospects for VISITECT® CD4 and COVID-19 test kits. The carrying value of the deferred tax asset at 31 March 2021 is £3,688,392 (2020: £1,538,443). Further details are contained in Note 13.

Standards adopted for the first time

There are no new or revised standards effective for annual periods beginning on or after 1 April 2020 that are relevant to the Group.

2 Accounting policies continued

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 2021 relevant to the Group. After Brexit, the UK will continue to apply International Accounting Standards in conformity with the requirements of the Companies Act 2006.

3 Segment information

For management purposes the Group is organised into two operating divisions: Health and Nutrition and Global Health and Other. There is no aggregation of operating segments. The segmental revenue split is consistent with how the Board reviews revenues on an ongoing basis throughout the current year. In prior years, the Group was formerly organised into three operating divisions, however following the decision to cease development of Allergy related products during the 2020 financial year, the two remaining divisions were re-named, with any ongoing allergy product-related business being absorbed into the Global Health and Other division. The prior year comparatives have been restated to reflect this change for consistency.

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 consumer Food Detective® test.

The Global Health and Other division specialises in the research, development, production and marketing of kits to aid the diagnosis of infectious diseases, including COVID-19.

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

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

Business segment information

2021	Health and Nutrition £	Global Health £	Corporate £	Total £
Statutory presentation				
Revenue	6,937,059	1,975,004	–	8,912,063
Inter-segment revenue	(121,190)	(56,010)	–	(177,200)
Total revenue	6,815,869	1,918,994	–	8,734,863
Cost of sales	(2,820,100)	(1,456,088)	–	(4,276,188)
Gross profit	3,995,769	462,906	–	4,458,675
Operating costs	(3,090,475)	(3,316,169)	(1,373,946)	(7,780,590)
Operating profit/(loss) before exceptional items	905,294	(2,853,263)	(1,373,946)	(3,321,915)
Share-based payment charges	71,561	67,477	131,225	270,263
Depreciation	178,977	282,019	–	460,996
Amortisation	178,248	247,159	–	425,407
EBITDA	**1,334,080**	**(2,256,608)**	**(1,242,721)**	**(2,165,249)**
Share-based payment charges	(71,561)	(67,477)	(131,225)	(270,263)
Exceptional items	–	–	–	–
Depreciation	(178,977)	(282,019)	–	(460,996)
Amortisation	(178,248)	(247,159)	–	(425,407)
Net finance costs	(49,993)	(140,140)	(27,952)	(218,085)
Profit/(loss) before tax	855,301	(2,993,403)	(1,401,898)	(3,540,000)
Exceptional items	–	–	–	–
Share-based payment charges	71,561	67,477	131,225	270,263
Amortisation	108,892	10,715	–	119,607
Adjusted profit/(loss) before tax	**1,035,754**	**(2,915,211)**	**(1,270,673)**	**(3,150,130)**

3 Segment information continued

Business segment information continued

2020	Health and Nutrition £	Global Health £	Corporate £	Total £
Statutory presentation				
Revenue	9,406,977	711,297	–	10,118,274
Inter-segment revenue	(236,113)	(63,499)	–	(299,612)
Total revenue	9,170,864	647,798	–	9,818,662
Cost of sales	(2,921,257)	(603,432)	–	(3,524,689)
Gross profit	6,249,607	44,366	–	6,293,973
Operating costs	(2,690,571)	(2,799,972)	(1,116,659)	(6,607,202)
Operating profit/(loss) before exceptional items	3,559,036	(2,755,606)	(1,116,659)	(313,229)
Share-based payment charges	–	–	54,092	54,092
Depreciation	249,657	223,528	–	473,185
Amortisation	100,802	578,157	–	678,959
EBITDA	3,909,495	(1,953,921)	(1,062,567)	893,007
Share-based payment charges	–	–	(54,092)	(54,092)
Exceptional items	–	(7,732,532)	–	(7,732,532)
Depreciation	(249,657)	(223,528)	–	(473,185)
Amortisation	(100,802)	(578,157)	–	(678,959)
Net finance costs	(15,602)	(145,416)	(90,789)	(251,807)
Profit/(loss) before tax	3,543,434	(10,633,554)	(1,207,448)	(8,297,568)
Exceptional items	–	7,732,532	–	7,732,532
Share-based payment charges	–	–	54,092	54,092
Amortisation	100,782	14,489	–	115,271
Adjusted profit/(loss) before tax	3,644,216	(2,886,533)	(1,153,356)	(395,673)

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

The segment assets and liabilities are as follows:

2021	Health and Nutrition £	Global Health £	Corporate £	Total £
Segment assets	10,125,415	11,297,453	50,889	21,473,757
Unallocated assets	–	–	–	9,515,698
Total assets	**10,125,415**	**11,297,453**	**50,889**	**30,989,455**
Segment liabilities	905,830	2,177,141	236,522	3,319,493
Unallocated liabilities	–	–	–	3,995,673
Total liabilities	**905,830**	**2,177,141**	**236,522**	**7,315,166**

2020	Health and Nutrition £	Global Health £	Corporate £	Total £
Segment assets	9,234,452	8,026,537	36,366	17,297,355
Unallocated assets	–	–	–	1,538,443
Total assets	9,234,452	8,026,537	36,366	18,835,798
Segment liabilities	508,075	1,022,016	225,729	1,755,820
Unallocated liabilities	–	–	–	3,471,653
Total liabilities	508,075	1,022,016	225,729	5,227,473

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

3 Segment information continued

Information about major customers

One customer within the Food intolerance segment accounts for £1.34 million, 15.3% (2020: £1.24 million, 12.6%) of Group revenues.

Geographical information

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

	2021 £	2020 £
Revenues		
UK	**1,977,249**	558,431
Rest of Europe	**1,845,938**	2,764,400
North America	**940,400**	1,766,301
South/Central America	**268,688**	406,707
India	**401,441**	722,287
Asia and the Far East	**2,612,365**	2,629,771
Africa and the Middle East	**688,782**	970,765
	8,734,863	9,818,662

2021	Intangibles £	Property, plant and equipment £	Inventories £	Trade and other receivables £	Total £
Assets					
UK	10,179,362	4,871,128	2,165,060	4,091,860	21,307,410
India	2,225	8,047	72,727	83,348	166,347
Unallocated assets	–	–	–	–	9,515,698
Total assets	**10,181,587**	**4,879,175**	**2,237,787**	**4,175,208**	**30,989,455**

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

3 Segment information continued

Geographical information continued

	2021 £	2020 £
Liabilities		
UK	**3,230,278**	1,650,678
India	**89,215**	105,142
Unallocated liabilities	**3,995,673**	3,471,653
Total liabilities	**7,315,166**	5,227,473
Capital expenditure		
Health and Nutrition	**141,989**	192,704
Global Health and Other	**1,822,827**	8,880
Total capital expenditure	**1,964,816**	201,584
Intangible expenditure		
Health and Nutrition	**371,709**	420,245
Global Health and Other	**558,861**	1,642,445
Total intangible expenditure	**930,570**	2,062,690

4 Finance costs

Consolidated	2021 £	2020 £
Interest payable on bank overdraft	**28,946**	93,271
Interest payable on right of use asset lease liabilities	**175,694**	148,819
Interest on hire purchase and asset finance arrangements	**13,445**	9,717
	218,085	251,807

5 Taxation

Consolidated	2021 £	2020 £
(a) Tax credited/(charged) in the income statement		
Current tax – prior year adjustment	**138,158**	172,934
Deferred tax – current year	**1,578,989**	1,512,850
Deferred tax – prior year adjustment	**(281,457)**	(216,528)
	1,435,690	1,469,256

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

(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax on net exchange adjustments	**2,294**	8,724
Total tax credit	**2,294**	8,724

5 Taxation continued

Consolidated	2021 £	2020 £
(c) Reconciliation of total tax (credit)/charge		
Factors affecting the tax (credit)/charge for the year:		
Loss before tax	**(3,540,000)**	(8,297,567)
Effective rate of taxation	**19%**	19%
Loss before tax multiplied by the effective rate of tax	**(672,600)**	(1,576,538)
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**59,174**	19,765
Exercised employee share option gains deductible for tax purposes – income tax	**(495,232)**	–
Notional gains on unexercised employee share option gains deductible in future years – deferred tax	**(368,726)**	–
Research and development and deferred tax credits	**(97,618)**	(110,574)
Provision released relating to India operation	**–**	(3,107)
Tax underprovided	**143,298**	5,527
Exceptional items (relating to closed German and India operations)	**–**	38,691
Adjustment due to different overseas tax rate	**(3,986)**	16,244
Impact of UK rate change on deferred tax	**–**	140,736
Tax credit for the year	**(1,435,690)**	(1,469,256)

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 – 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

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 to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. These changes were substantively enacted on 24 May 2021.

6 Revenue and expenses

Consolidated – continuing operations	2021 £	2020 £
Revenue and other income		
Revenue – sales of goods	**8,734,863**	9,818,662
Other income	**301,817**	257,930
Finance income	**–**	–
Total revenue and other income	**9,036,680**	10,076,592

Other income 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	2021 £	2020 £
Operating profit is stated after charging/(crediting):		
Material costs	**2,565,743**	2,573,976
Depreciation including right of use asset depreciation	**460,996**	473,185
Capitalised depreciation	**(70,736)**	(110,433)
Amortisation of intangibles	**425,407**	678,959
Net foreign exchange (gains)/losses	**119,827**	(41,280)
Research costs	**73,433**	37,631
Low value lease rentals	**19,879**	9,638
Share-based payments	**270,263**	54,092
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the annual accounts:	**50,000**	35,000
Local statutory audit of subsidiaries	**70,000**	70,000
Local statutory audit of the parent company	**10,000**	10,000
Fees payable to the Company's auditors for other services:		
Taxation compliance	**14,500**	12,500
Taxation advisory	**6,000**	5,000

Audit fees above relate to total operations.

6 Revenue and expenses continued

Exceptional items summary

	2021		2020	
	Continuing operations £	**Discontinued operations £**	Continuing operations £	Discontinued operations £
Impairment of intangible asset	**–**	**–**	(8,747,683)	–
Credit from government grant deferred income	**–**	**–**	1,015,151	–
Total	**–**	**–**	(7,732,532)	–

In the prior year, the exceptional cost comprised an impairment charge against intangible assets. This followed the decision to stop all future expenditure on the Allergy development programme.

Also in the prior year, after confirmation from Scottish Enterprise that the R&D grant awarded in 2016 had been successful in supporting the development of the 69 allergens, and having confirmed that Scottish Enterprise would not seek repayment, a proportion of the grant received was released from the balance sheet as exceptional income in that year.

Staff costs

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

Consolidated	**2021 Number**	2020 Number
Operations	**88**	75
Management and administration	**83**	77
Employee numbers	**171**	152

Company	**2021 Number**	2020 Number
Management and administration	**3**	3
Employee numbers	**3**	3

Their aggregate remuneration comprised:

Consolidated	**2021 £**	2020 £
Wages and salaries	**5,930,736**	5,322,228
Social security costs	**564,278**	489,926
Pension costs	**227,754**	222,128
Share-based payments	**270,263**	54,092
	6,993,031	6,088,374

Company	**2021 £**	2020 Restated £
Wages and salaries	**505,133**	471,583
Social security costs	**80,023**	57,623
Pension costs	**35,000**	31,917
Share-based payments	**131,225**	26,264
	751,381	587,387

6 Revenue and expenses continued

Equity-settled share-based payments

Consolidated and Company

The share-based payment plans are described below.

2007 EMI Option Scheme 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.

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

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

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

Under the 2007 EMI Option Scheme 210,000 options lapsed during the year and 2,450,000 were exercised. Under the TUOS 200,000 options were granted at fair value of 80.00 pence per share and 933,332 were exercised. Under the 2020 EMI Option Scheme 50,000 options were granted at fair value of 53.0 pence per share.

6 Revenue and expenses continued

Equity-settled share-based payments continued

Consolidated and Company continued

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

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
Outstanding at 1 April	**13,470,406**	**18p**	8,920,406	20p
Granted during the year under the 2020 EMI Option	**50,000**	**53p**	4,385,000	15p
Granted during the year under the TUOS	**200,000**	**80p**	550,000	15p
Exercised during the year	**(3,383,332)**	**–**	(80,000)	–
Lapsed during the year under the EMI Option Scheme	**(210,000)**	**–**	(305,000)	–
Outstanding at 31 March 2021	**10,127,074**	**19p**	13,470,406	18p
Exercisable at 31 March 2021	**5,435,406**	**–**	8,325,406	–

The average market value of the 3,383,332 shares exercised was 83 pence.

The following table lists the inputs to the model used for the years ended 31 March 2021 and 31 March 2020:

	EMI Option Scheme, 2020 EMI scheme and TUOS scheme	
	2021	2020
Dividend yield	**–**	–
Expected volatility	**226%**	49%
Risk-free interest rate	**5%**	5%
Weighted average remaining contractual life	**3.4 years**	5.1 years
Weighted average share price	**74.60p**	14.85p
Exercise price	**74.60p**	14.85p
Model used	**Black-Scholes**	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.

Prior year share based payment charges for the Company were restated to correctly reallocate amounts related to employees of subsidiary companies, previously taken in full by the Company without recharge, to now be borne by the employing company. As a result, prior year opening retained earnings were increased by £748k from £4,572k, as previously reported, to £3,824k. The share-based payment expenses in the Company income statement in the prior year was restated from £54k to £26k. The Company's brought forward investment in subsidiaries was also increased by £775k from £3,642k to £4,417k to reflect the effective capital contribution made to the subsidiary. A third balance sheet for the beginning of the preceding period (1 April 2019) has not been presented on the basis that the information does not have a material effect on the information already presented for the Company.

Directors' remuneration

Consolidated	2021 £	2020 £
Fees	**40,000**	40,000
Emoluments	**561,326**	523,344
	601,326	563,344
Contributions to personal pension	**25,446**	22,417
	626,772	585,761
Members of a defined contribution pension scheme at the year end	**3**	3

Information in respect of individual Directors' emoluments is provided in the Directors' Remuneration Report on page 28.

7 Intangibles

	Goodwill £	Licences/ software £	Technology assets £	Customer relationships £	Development costs £	Total £
Cost						
At 31 March 2019	3,016,892	1,636,662	1,974,994	100,003	11,636,216	18,364,767
Additions – internally generated	–	–	–	–	2,062,690	2,062,690
Currency translation	–	(233)	–	–	–	(233)
Disposals	–	(3,672)	–	–	–	(3,672)
At 31 March 2020	3,016,892	1,632,757	1,974,994	100,003	13,698,906	20,423,552
Additions	–	2,455	–	–	200,950	203,405
Additions – internally generated	–	–	–	–	727,165	727,165
Currency translation	–	(1,788)	–	–	–	(1,788)
Disposals	–	–	–	–	–	–
At 31 March 2021	**3,016,892**	**1,633,424**	**1,974,994**	**100,003**	**14,627,021**	**21,352,334**
Accumulated amortisation						
At 31 March 2019	–	76,623	1,143,848	100,003	–	1,320,474
Amortisation charge in the year	–	16,523	98,748	–	563,668	678,939
Impairment charge	–	1,484,663	–	–	7,263,020	8,747,683
Currency translation	–	(213)	–	–	–	(213)
At 31 March 2020	–	1,577,596	1,242,596	100,003	7,826,688	10,746,883
Amortisation charge in the year	–	20,859	98,748	–	305,800	425,407
Currency translation	–	(1,543)	–	–	–	(1,543)
At 31 March 2021	**–**	**1,596,912**	**1,341,344**	**100,003**	**8,132,488**	**11,170,747**
Net book value						
At 31 March 2021	**3,016,892**	**36,512**	**633,650**	**–**	**6,494,533**	**10,181,587**
At 31 March 2020	3,016,892	55,161	732,398	–	5,872,218	9,676,669
At 31 March 2019	3,016,892	1,560,039	831,146	–	11,636,216	17,044,293

The net book value of goodwill at 31 March 2021 of £3,016,892 all relates to the Health and Nutrition segment.

Of the development costs balance above of £6,494,533 (2020: £5,872,218), costs of £4,451,636 (2020: £4,430,086) relate to the VISITECT® CD4 project, costs of £1,656,986 (2020: £1,442,132) relate to Health and Nutrition related projects, and costs of £385,911 (2020: £nil) relate to other new development projects including COVID-19. Updates on the status of the development projects are detailed in the Strategic Report.

Amortisation of VISITECT® CD4 development cost intangibles commenced on 1 August 2020 over a 20-year period. Amortisation of Health and Nutrition project development costs commenced on 1 January 2021 over a five-year period. Amortisation of intangibles of £425,407 (2020: £678,959) is included within administration costs in the consolidated statement of comprehensive income.

Of the licences/software balance above, £31,055 (2020: £31,055) is held on the balance sheet of the Company and relates to CD4 licences.

£70,736 (2020: £110,433) of the additions internally generated in the year relates to capitalised depreciation on assets utilised for development activities.

Impairment testing of goodwill and intangibles – goodwill

The Group tests goodwill annually for impairment or more frequently if there are indicators of impairment. The carrying amount of goodwill is indicated in the table above. The net book value of goodwill above, which relates entirely to the Health and Nutrition business segment of Omega Diagnostics Limited, amounts to £3,016,892 (2020: £3,016,892).

The recoverable amount has been determined based on a value in use calculation using cash flow projections for the years ending 31 March 2022 to 31 March 2026 based on a sales growth rate of 5% and cost inflation of 3% per annum.

A discount rate of 9.7% has been used in the calculation of future cash flow projections.

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

7 Intangibles continued

Impairment testing of goodwill and intangibles – other intangibles

Global Health

In line with IAS 36 a value in use calculation has been prepared to support the VISITECT® CD4 project costs. The recoverable amount for VISITECT® CD4 has been determined based on projections for the years ending 31 March 2022 to 31 March 2026 assuming an increased number of unit sales each year as the product achieves market acceptance and achieves product registration in individual countries.

A growth rate of 5% has been applied to the cost base for CD4. The growth rate used is consistent with management estimates reflecting current market assessments.

The Company also makes assumptions with regard to having sufficient production personnel to cope with increased volumes. The discount rate applied to cash flows is 9.70% (2020: 12.94%) for the Group, which takes account of other risks such as currency risk, geography risk and price risk. The discount rate is the weighted average cost of the post-tax cost of debt financing (2020: pre-tax) and the pre-tax cost of equity financing from a market participant perspective.

Health and Nutrition

A similar value in use calculations has been prepared for Foodprint® and Food Detective® products using a revenue growth rate of 5% and cost base growth of 3%. The same timeframe and discount rate assumptions have been used as in the goodwill calculations as described above.

Allergy

As a result of the decision taken in the prior year to stop all future expenditure on the allergy development programme, a total impairment charge of £8.75 million was recorded in that year against the IAS 38 development costs for the Allergy project within intangible assets.

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

Sensitivity analysis

The Group has conducted a sensitivity analysis on each of the impairment tests at 31 March 2021. The Directors believe that any reasonably possible further change in the key assumptions, as detailed above, on which the recoverable amount is based would not cause any of the carrying amounts to exceed the relevant recoverable amount.

8 Property, plant and equipment

Consolidated	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 31 March 2019	938,538	3,716,245	4,654,783
Additions	53,126	148,458	201,584
Disposals	–	–	–
Currency translation	–	(65)	(65)
At 31 March 2020	991,664	3,864,638	4,856,302
Additions	417,228	1,547,588	1,964,816
Disposals	–	–	–
Currency translation	–	(742)	(742)
At 31 March 2021	**1,408,892**	**5,411,484**	**6,820,376**
Accumulated depreciation			
At 31 March 2019	529,176	2,556,026	3,085,202
Charge in the year	108,738	230,363	339,101
Disposals	–	–	–
Currency translation	–	(43)	(43)
At 31 March 2020	637,914	2,786,346	3,424,260
Charge in the year	41,175	277,351	318,526
Disposals	–	–	–
Currency translation	–	(260)	(260)
At 31 March 2021	**679,089**	**3,063,437**	**3,742,526**
Net book value			
At 31 March 2021	**729,803**	**2,384,047**	**3,077,850**
At 31 March 2020	353,750	1,078,292	1,432,042
At 31 March 2019	409,362	1,160,219	1,569,581

£70,736 (2020: £110,433) of the annual depreciation charge relates to assets utilised for development activities; therefore, this depreciation has been capitalised and included within intangible assets.

8 Property, plant and equipment continued

Leases

Right of use assets

Consolidated	Land and property £	Leasehold improvements £	Plant and machinery £	Total £
At 31 March 2020	1,677,202	15,680	38,945	1,731,827
Additions	260,053	–	22,649	282,702
Depreciation	(177,788)	(15,680)	(19,736)	(213,204)
At 31 March 2021	**1,759,467**	**–**	**41,858**	**1,801,325**

Lease liabilities

Consolidated	Land and property £	Leasehold improvements £	Plant and machinery £	Total £
At 31 March 2020	1,733,625	16,095	40,867	1,790,587
Additions	260,053	–	22,649	282,702
Interest expense	171,181	1,212	3,301	175,694
Lease payments	(282,959)	(17,307)	(24,006)	(324,272)
At 31 March 2021	**1,881,900**	**–**	**42,811**	**1,924,711**

9 Inventories

	2021 £	2020 £
Raw materials	**1,067,380**	522,246
Work in progress	**936,372**	481,458
Finished goods and goods for resale	**234,035**	165,411
	2,237,787	1,169,115

10 Trade and other receivables

Consolidated	2021 £	2020 £
Trade receivables	**3,827,411**	2,932,096
Less provision for impairment of receivables	**–**	(38,695)
Trade receivables – net	**3,827,411**	2,893,401
Prepayments	**130,267**	97,334
Other receivables	**217,530**	296,967
	4,175,208	3,287,702

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

Company	2021 £	2020 £
Prepayments	**45,491**	24,258
Other receivables	**5,398**	12,094
	50,889	36,352

Analysis of trade receivables

Consolidated	2021 £	2020 £
Neither impaired nor past due	**3,069,721**	2,196,237
Past due but not impaired	**757,690**	697,164

Company	2021 £	2020 £
Neither impaired nor past due	**–**	–

10 Trade and other receivables continued

Ageing of past due but not impaired trade receivables

	2021 £	2020 £
Up to three months	**721,809**	624,228
Between three and six months	**35,881**	57,957
More than six months	**–**	14,979

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

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

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

11 Interest-bearing loans and borrowings and financial instruments

Consolidated	2021 £	2020 £
Current		
Obligations under asset finance loan arrangements	**205,704**	85,678
Bank overdraft	**–**	565,166
	205,704	650,844
Non-current		
Obligations under asset finance loan arrangements	**711,896**	131,487
	711,896	131,487

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:

	2021 Asset finance and hire purchase £	2021 Lease liabilities £	2020 Asset finance and hire purchase £	2020 Lease liabilities £
Future minimum payments due:				
Not later than one year	**231,748**	**317,270**	99,032	221,846
After one year but not more than five years	**774,759**	**886,278**	157,497	765,089
After five years	**–**	**1,957,331**	–	2,147,296
	1,006,507	**3,160,879**	256,529	3,134,231
Less finance charges allocated to future periods	**(88,907)**	**(1,236,168)**	(39,364)	(1,343,644)
Present value of minimum principal payments	**917,600**	**1,924,711**	217,165	1,790,587
The present value of minimum lease payments is analysed as follows:				
Not later than one year	**205,704**	**172,646**	85,678	87,018
After one year but not more than five years	**711,896**	**415,821**	131,487	284,238
After five years	**–**	**1,336,244**	–	1,419,331
	917,600	**1,924,711**	217,165	1,790,587

11 Interest-bearing loans and borrowings and financial instruments continued

	2021 £	2020 £
Changes in liabilities		
Opening lease, hire purchase and asset finance obligations	**2,007,752**	177,052
New leases	**282,702**	1,976,344
New asset finance loan arrangements	**796,305**	150,000
Right of use asset lease repayments	**(149,286)**	(185,757)
Hire purchase and asset finance repayments	**(95,162)**	(109,887)
Closing lease, hire purchase and asset finance obligations	**2,842,311**	2,007,752
Bank overdraft	**–**	565,166
	2,842,311	2,572,918

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

12 Trade and other payables

Consolidated	2021 £	2020 £
Trade payables	**1,028,948**	664,818
Social security costs	**347,727**	198,123
Accruals and other payables	**1,795,541**	737,384
	3,172,216	1,600,325

In the current year Scottish Enterprise grant funding (in relation to the VISITECT® CD4 development projects) totalling £147,277 (2020: £155,495) was included as deferred income on the consolidated balance sheet.

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

Included in accruals and other payables are amounts totalling £500,000 relating to customer advance payments.

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

Company	2021 £	2020 £
Trade payables	**13,355**	42,728
Accruals and other payables	**223,167**	183,001
	236,522	225,729

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

13 Deferred taxation

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

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2021 £	2020 £	**2021 £**	2020 £
Temporary differences	**974,973**	10,771	**368,944**	(59,325)
Tax losses carried forward	**2,713,419**	1,527,672	**1,321,610**	390,485
	3,688,392	1,538,443	**1,690,554**	331,160
The deferred tax liability is made up as follows:				
Fair value adjustments on acquisition	**120,395**	138,823	**(18,428)**	12,554
Accelerated/(decelerated) capital allowances	**335,106**	158,027	**177,315**	(44,103)
Capitalised research and development	**697,861**	601,884	**95,977**	(1,106,547)
	1,153,362	898,734	**254,864**	(1,138,096)
Net deferred tax asset/P&L tax	**2,535,030**	639,709	**1,435,690**	1,469,256

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.

Included within temporary differences of £974,973 above is a deferred tax asset on share-based payments amounting to £964,216 (2020: nil) of which £368,726 is recognised through the Statement of Comprehensive Income and the residual balance of £595,491 relating to the tax effect of unrecognised gains 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, section 68c.

The deferred tax asset at 31 March 2021 will be offset against future profits expected to be generated from sales of VISITECT® CD4 tests, Food sensitivity products and COVID-19 test kits. The WHO prequalification and the signing of a supply agreement with CHAI give confidence that CD4 sales and profits will be generated.

Company	**2021 £**	2020 £
Temporary differences	**634,319**	–
Tax losses carried forward	**435,864**	299,904
	1,070,183	299,904

The temporary differences of £634,319 above comprises of a deferred tax asset on share-based payments (2020: nil) of which £242,570 is recognised through the Statement of Comprehensive Income and the residual balance of £391,749 relating to the tax effect of unrecognised gains 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, section 68c.

The deferred tax liability is made up as follows:

Consolidated	**2021 £**	2020 £
Fair value adjustments on acquisition	**120,395**	138,823
Accelerated capital allowances	**335,106**	158,027
Capitalised research and development	**697,861**	601,884
	1,153,362	898,734

14 Share capital

Company	**2021 Number**	2020 Number
Authorised share capital		
Ordinary shares of 4.0 pence each	**184,769,736**	184,769,736
Deferred shares of 0.9 pence each	**123,245,615**	123,245,615
Issued and fully paid ordinary share capital		
At the beginning of the year	**150,387,010**	126,959,060
Issued during the year	**31,868,296**	23,427,950
At the end of the year	**182,255,306**	150,387,010
Issued and fully paid non-participating deferred share capital		
At the beginning and end of the year	**123,245,615**	123,245,615

During the year ended 31 March 2021, the Company granted options over 250,000 ordinary shares at an average exercise price of 74.6 pence per share. The options will expire if not exercised within ten years of the date of grant.

15 Commitments and contingencies

Low value rental commitments

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

Consolidated	2021 £	2020 £
Within one year	**9,366**	8,870
Within two to five years	**165**	1,614
After five years	**–**	–

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 – the best estimate being July 2021. 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 2021 (2020: £60,000).

16 Related party transactions

Remuneration of key personnel

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

	2021 £	2020 £
Short-term employee benefits	**1,829,080**	1,530,211
Share-based payments	**169,343**	37,525
Post-employment benefits	**71,788**	63,937
	2,070,211	1,631,673

Included within short-term employee benefits are £40,000 (2020: £40,000) paid to Third Day Advisors LLC, a company controlled by William Rhodes.

Other related party transactions

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

	2021 £	2020 £
Balance at 1 April 2020	**7,937,069**	5,879,689
Charges to subsidiary companies	**1,413,393**	1,121,560
Transfers of cash from/(to) subsidiary companies	**3,479,346**	935,820
Balance at 31 March 2021	**12,829,808**	7,937,069

17 Retirement benefit obligations

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

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

Defined contribution scheme

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

18 Investments

Company

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

	Country of incorporation	2021 £	2020 Restated £
Investment in Omega Diagnostics Limited[1]	UK	**2,667,359**	2,528,321
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	**1**	1
Investment in Bealaw (693) Limited[3]	UK	**1**	1
Investment in Omega Dx (Asia)[4]	India	**1,993,867**	1,889,062
		4,661,228	4,417,385

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 £139,038 (restated 2020: £27,828) 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 section of note 6. Also an additional investment of £104,805 was made in Omega Dx (Asia).

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

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

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

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

19 Earnings per share

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

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

	2021 £	2020 £
Loss attributable to equity holders of the Group	**(2,104,310)**	(6,828,312)

	2021 Number	2020 Number
Basic average number of shares	**171,688,730**	140,296,603
Share options	**5,415,449**	45,023
Diluted weighted average number of shares	**177,104,179**	140,341,626

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.

	2021 £	2020 £
Adjusted loss before taxation	**(3,150,130)**	(395,673)
Tax credit	**1,435,690**	75
Adjusted loss attributable to equity holders of the Group	**(1,714,440)**	(395,598)

20 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:

Assets as per the consolidated balance sheet	**Financial assets at amortised cost £**	**Total £**
2021		
Trade receivables	3,827,411	3,827,411
	3,827,411	**3,827,411**

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

Assets as per the Company balance sheet	**Financial assets at amortised cost £**	**Total £**
2021		
Due from subsidiary companies	12,829,808	12,829,808
	12,829,808	**12,829,808**

Assets as per the Company balance sheet	Financial assets at amortised cost £	Total £
2020		
Due from subsidiary companies	7,937,068	7,937,068
	7,937,068	7,937,068

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

Liabilities as per the consolidated balance sheet	**Amortised cost £**	**Total £**
2021		
Trade payables	1,028,948	1,028,948
Obligations under leases and asset finance loan arrangements	2,842,311	2,842,311
	3,871,259	**3,871,259**

Liabilities as per the consolidated balance sheet	Amortised cost £	Total £
2020		
Trade payables	664,818	664,818
Obligations under leases and asset finance loan arrangements	2,007,752	2,007,752
	2,672,570	2,672,570

Liabilities as per the Company balance sheet	**Amortised cost £**	**Total £**
2021		
Trade payables and amounts due to subsidiary companies	**13,355**	**13,355**

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

20 Financial instruments continued

Financial risk management

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

Foreign currency risk

The Group operates in more than one currency jurisdiction and is therefore exposed to currency risk on the retranslation of the income statement and the balance sheet of its overseas subsidiaries from rupees into its functional currency of pounds sterling. The Company funds its subsidiaries by a mixture of equity and intercompany loan financing and these balances are subject to exchange rate movements that can give rise to movements in equity. The Group also buys and sells goods and services in currencies other than the functional currency, principally in euros and US dollars. The Group has US dollar and euro-denominated bank accounts and, where possible, the Group will offset currency exposure where purchases and sales of goods and services can be made in these currencies. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is currently Group policy not to engage in any speculative transaction of any kind but this will be monitored by the Board to determine whether it is appropriate to use additional currency management procedures to manage risk. At 31 March 2021 and 31 March 2020 the Group had not entered into any hedge transactions.

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

	US dollar effect on profit before tax £	Euro effect on profit before tax £	Rupee effect on profit before tax £	Other effect on profit before tax £	Decrease in currency rate	Total effect on profit before tax £	Total effect on equity £
2021							
Trade and other receivables	**69,200**	**35,524**	**4,387**	**–**	**5%**	**109,111**	**–**
Trade and other payables	**(2,204)**	**(8,599)**	**(9,267)**	**–**	**5%**	**(20,070)**	**–**
Cash and cash equivalents	**1,122**	**4,031**	**2,422**	**–**	**5%**	**7,575**	**–**
2020							
Trade and other receivables	60,163	36,431	8,210	–	5%	104,804	–
Trade and other payables	(4,795)	(1,309)	(25,572)	(281)	5%	(31,957)	–
Cash and cash equivalents	895	640	2,192	–	5%	3,727	–

An increase in currency rate of 5% would have a similar but opposite effect.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group conducts its operations in many countries, so there is no concentration of risk in any one area. In most cases, the Group grants credit without security to its customers. Creditworthiness checks are undertaken before entering into contracts with new customers, and credit limits are set as appropriate. The Group conducts most of its operations through distributors and is therefore able to maintain a fairly close relationship with its immediate customers. As such, the Group monitors payment profiles of customers on a regular basis and is able to spot deteriorations in payment times. An allowance for impairment is made that represents the potential loss in respect of individual receivables where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An analysis of trade receivables from various regions is analysed in the following table:

	2021 Trade receivables £	2020 Trade receivables £
UK/Europe	**1,715,548**	619,116
North America	**556,260**	602,893
South/Central America	**130,653**	166,776
Asia and the Far East	**1,403,597**	1,297,232
Africa and the Middle East	**21,353**	207,384
	3,827,411	2,893,401

Capital management

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

20 Financial instruments continued

Financial risk management continued

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 2021 based on the undiscounted cash flows of liabilities which include both future interest and principal amounts outstanding based on the earliest date on which the Group can be required to pay. The amounts of future interest are not included in the carrying value of financial liabilities on the balance sheet.

Consolidated	Less than 3 months £	3 to 12 months £	1 to 5 years £	>5 years £	Total £
2021					
Trade payables	1,028,948	–	–	–	1,028,948
Obligations under asset finance loan arrangements	61,292	170,456	774,759	–	1,006,507
Obligations under leases	79,317	237,953	886,278	1,957,331	3,160,879
Bank overdraft	–	–	–	–	–
	1,169,557	**408,409**	**1,661,037**	**1,957,331**	**5,196,334**
2020					
Trade payables	664,818	–	–	–	664,818
Obligations under asset finance loan arrangements	27,720	71,312	157,497	–	256,529
Obligations under leases	58,885	162,961	765,089	2,147,296	3,134,231
Bank overdraft	565,166	–	–	–	565,166
	1,316,589	234,273	922,586	2,147,296	4,620,744

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2021 based on the undiscounted cash flows of liabilities based on the earliest date on which the Company can be required to pay.

Company	Less than 3 months £	3 to 12 months £	1 to 5 years £	Total £
2021				
Trade payables and amounts due to subsidiary companies	13,355	–	–	13,355
Bank overdraft	–	–	–	–
	13,355	**–**	**–**	**13,355**
2020				
Trade payables and amounts due to subsidiary companies	42,728	–	–	42,728
Bank overdraft	889,511	–	–	889,511
	932,239	–	–	932,239

Interest rate risk

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

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

Consolidated	Increase in basis points	Effect on profit before tax and equity £
2021		
Cash and cash equivalents	**25**	**6,578**
2020		
Cash and cash equivalents	25	(1,637)

20 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	Increase in basis points	Effect on profit before tax and equity £
2021		
Cash and cash equivalents	**25**	**5,817**
2020		
Cash and cash equivalents	25	(2,426)

Fair values

All financial assets and liabilities are classified as level 2 given they are short term and therefore the current value is an approximate for fair value. The 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 2021 and 31 March 2020. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the accounts.

The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2021 and 31 March 2020 represents the Group's maximum exposure to credit risk.

21 Subsequent events

The Group signed a manufacturing agreement with the DHSC in February. Since the year-end, the Group has received a further £2.0 million of pre-production payments from DHSC, meaning £2.5 million has been received in total. Receipt of these funds enabled the Group to undertake an accelerated refurbishment of its Alva facility in advance of manufacturing tests on behalf of the Government. The full amount received can be offset against charges for product to DHSC once supplies commence and the Group remains ready and willing to meet the requirements of the UK Government as soon as possible.

Regarding the disclosure in note 12 to the financial statements relating to the insolvency of Omega Diagnostics GmbH in 2018, the administrator pursued his claim for repayment of €500,000 through the Lübeck Regional Court which resulted in an oral hearing on 12 April 2021. According to the case law of the Federal Court of Justice, repayments through an intercompany loan account made by Omega Diagnostics Group PLC to Omega Diagnostics GmbH between September 2017 and March 2018, totalling €400k, were not regarded as reparation to creditors because this amount had already been used by Omega Diagnostics GmbH before the application for insolvency was filed and therefore, such amount was no longer available to the creditors.

The court initially stated that repayment of €500k needed to be made but noted that the insolvency administrator as plaintiff had certain legal risks, especially in the enforcement of the claim and proposed a settlement to the parties. The final outcome of the settlement discussions between the parties is that Omega Diagnostics Group PLC has agreed to settle with the plaintiff with a payment €350k to be made on or before 31 July 2021. This outcome is in full and final settlement and, including court costs, means the settled position is expected to be below the provision of €500k within other payables on the balance sheet at 31 March 2021.

PLEASE REFER TO THE NOTES BELOW THE RESOLUTIONS, IN PARTICULAR NOTES 1-4 IN RELATION TO THE EFFECT OF COVID-19 RESTRICTIONS ON THE ANNUAL GENERAL MEETING.

Notice is hereby given that the Annual General Meeting of the Company will be held at Omega House, Hillfoots Business Village, Clackmannanshire FK12 5DQ, on 15 September 2021 at 11am for the following purposes:

1. To receive and adopt the reports of the Directors and the auditors and the audited accounts for the year ended 31 March 2021.
2. To re-appoint Ernst & Young LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
3. To re-elect Mr William Rhodes as a Director of the Company.
4. To elect Dr Simon Douglas as a Director of the Company.
5. That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £2,435,098.68 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 2022 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Companies Act 2006, but without prejudice to any allotment already made or to be made pursuant to such authority.

Resolution 6 is proposed as a special resolution.

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

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

   6.2 the allotment of equity securities otherwise than pursuant to subparagraph 6.1 above up to an aggregate nominal amount of £365,264.80,

   and provided that this power shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, 31 October 2022, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board

Kieron Harbinson
Company Secretary
12 July 2021

Registered in England and Wales number: 5017761

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Effect of COVID-19 on the Annual General Meeting

1. Given the ongoing global situation with COVID-19, regulators, governments and public health authorities have issued varying directives which may impact the structure and timing of the Annual General Meeting. At the time of posting, the roadmaps set out by the UK and Scottish Governments suggest that, at the time of the meeting, restrictions will have been lifted sufficiently for a physical meeting to take place. However, at present that would not be possible and the detail and timing of the lifting of restrictions is subject to change.

   If changing restrictions or guidance mean it is necessary to change the arrangements for the Annual General Meeting (which may include holding a closed meeting or restricting the number of shareholders who can attend in person), we will publish details on our website and through RNS.

2. The Company is committed to protecting the safety and wellbeing of its workforce and shareholders. Therefore, assuming a physical meeting is possible, it may be necessary to impose certain safety measures which may include (but not be limited to) social-distancing at the meeting and the wearing of face masks (except for those to whom an exemption applies). We will monitor the relevant guidance and communicate any such requirements prior to the meeting.

3. In light of the ongoing situation, and even if a physical meeting may be possible, we strongly encourage and request shareholders not to attend in person due to the COVID-19 related risk associated with travelling and attending at the meeting. Instead, we invite you to submit a proxy form appointing the Chair to vote on the Resolutions on your behalf.

   Shareholders who do wish to attend the meeting in person, should this be possible, are asked to register their attendance by emailing omega@walbrookpr.com as soon as practicable and no later than 8 September 2021. This is so that we can make appropriate arrangements to manage risk and ensure the meeting is conducted in as safe a way as possible. Failure to register does not preclude your attendance at the meeting.

4. Given there remains some uncertainty around whether shareholders will be able to attend the Annual General Meeting (for example if restrictions and guidance at the time of the meeting do not allow):

   a. we strongly recommend that all shareholders appoint the Chair of the meeting as proxy. This will ensure that your vote is counted even if attendance at the meeting is restricted or you or any other proxy you might appoint are unable to attend in person; and

   b. voting on the Resolutions will be by way of a poll rather than a show of hands. A poll ensures that the votes of members who are unable to attend, but who have appointed a proxy who is in attendance, are taken into account in the final voting results.

Entitlement to attend and vote

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 11am on 13 September 2021 shall be entitled to attend and vote at the Meeting.

Appointment of proxies

6. If you are a member of the Company at the time set out in Note 5 above, you are entitled to appoint a proxy to exercise all or any of your rights in respect of the Resolutions and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

7. A proxy does not need to be a member of the Company but must attend the Meeting to represent you, and it may not be possible for any person who is not the Chairman of the Meeting to attend the Meeting physically (see Note 4 above). Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

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

8. You may (though as noted above it is not recommended) appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited, on 01252 821 390.

9. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

10. The notes to the proxy form explain how to: (a) direct your proxy to vote on each resolution or withhold their vote; (b) appoint proxies; (c) change proxy instructions; and (d) terminate proxy appointments.

Corporate representing

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

Issued shares and total voting rights

12. As at the date of this Annual Report the Company's issued voting share capital comprised 182,632,404 ordinary shares of 4 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is 182,632,404 as at the date of this Annual Report.

Communications with the Company

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

Voting through CREST

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

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

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

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

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

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

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Omega Diagnostics Group PLC
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