Embracing Wellness

Omega Diagnostics

Annual Report and Group Financial Statements 2023

Omega Diagnostics

Informing decisions Improving health

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

Our purpose

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

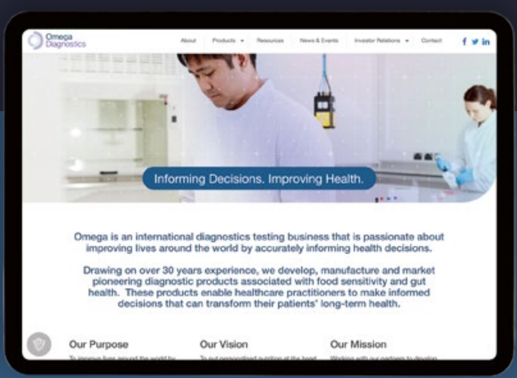
Our vision

To put personalised nutrition at the heart of global healthcare.

Our mission

Working with our partners to develop and deliver best-in-class diagnostic products.

Empowering, educating and inspiring the markets we serve.



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

→ Omega Diagnostics Group
→ Omega Diagnostics
→ Omega Diagnostics

Financial highlights

Revenue
£7.5m (-12%)
(2022: £8.5 million)

Closing order book
£2.4m (+71%)
(2022: £1.4 million)

Gross margin
47.0%
(2022: 59.7%)

Operating loss (continuing operations)
£3.2m
(2022: £0.9 million)
Stated after aborted relocation costs of £0.5 million

Loss from discontinued Global Health operations
£0.7m
(2022: £9.9 million)

Adjusted EBITDA (continuing operations)*
Loss of £2.0m
(2022: Earnings of £0.2 million)

* Adjusted for exceptional items and share-based payment charges, see Financial Review section.

Operational highlights

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

"This year has seen the final steps in the withdrawal from the Global Health business through the divestment of the loss-making CD4 business and the full relocation to our Health and Nutrition manufacturing site in Littleport, Cambridgeshire. We have started our journey into the US market and entered into two agreements with established testing laboratories which will be installing and validating our core food sensitivity product, FoodPrint®.

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

Simon Douglas
Chairman

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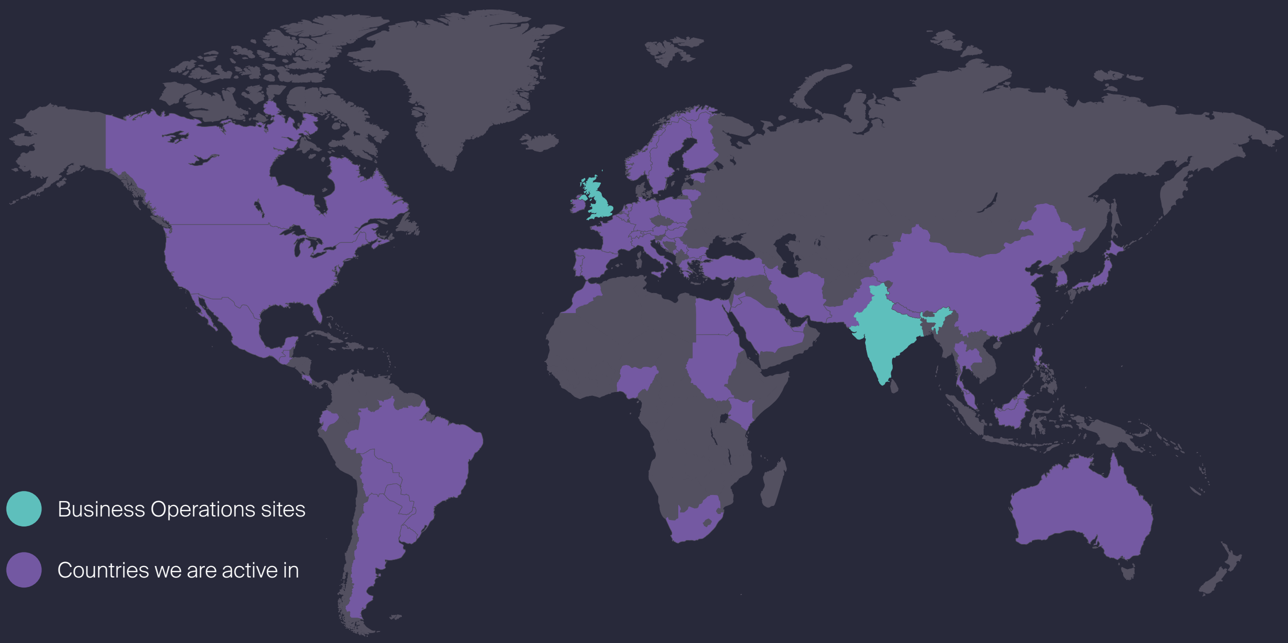
At a glance



Experts in nutrition and wellness sector

Scientific heritage
30+
years in the industry

A global presence
85+
countries

Trusted by
160+
labs worldwide

What we do

Delivering personalised nutrition for better health

Omega Diagnostics is an international diagnostics testing business that is passionate about improving lives around the world by accurately informing health decisions. Collaborating with laboratories and partner organisations, we provide world-leading food sensitivity tests in over 85 countries.

We 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 wellbeing.

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 comprehensive, allowing for up to 222 foods to be tested and is trusted by more than 160 laboratories around the world.

Pioneers and global leaders in food sensitivity testing

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

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

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

Testing for food sensitivities

There is much debate in the scientific community in respect of the terminology used to describe IgG-mediated food specific antibody testing. There is currently no clear international consensus, with definitions including type III IgG-mediated food allergy, IgG food intolerance and IgG food sensitivity amongst others.

This confusion permeates from healthcare practitioners through to their patients. Our tests should not be confused with IgE allergy panels for food allergy, or diagnostics to identify enzyme deficiency food intolerances, such as lactose intolerance. While IgE antibodies are responsible for acute allergic reactions, IgG-mediated manifestations take much longer to develop.

Using a small finger prick of blood, our diagnostic technologies can quickly identify an individual's unique food sensitivity reactions, allowing healthcare practitioners and patients to adjust and plan a new diet and address IgG-mediated food sensitivities.

Why test for food sensitivities?

Scientific studies have associated elevated levels of food IgG antibodies with increased intestinal permeability and disruption to the gut barrier wall.

The development of food IgG antibodies promote an inflammatory immune response which can result in the presentation of symptoms such as bloating, nausea, diarrhoea or constipation, headaches, and fatigue.

The efficacy of a diet based upon the measurement of IgG antibodies specific to food components has been demonstrated in a number of conditions, both in independent studies and clinical practice. Excellent results have been obtained particularly in patients with migraine, IBS and obesity.

Successful development and validation of automated solution for FoodPrint®

Partnered with Dynex to create customised software solution to automate and validate FoodPrint® assay on DS2. Offering high-throughput labs a more labour-efficient solution

BANT Science-based nutrition practice since 1997

ANP Association of Naturopathic Practitioners

95% y-o-y revenue growth in CNSLab to £1.0 million

Driven by new partnerships as well as closer engagement with key nutrition/naturopathic governing bodies such as British Association of Nutritional Therapy (BANT) and Association of Naturopathic Practitioners (ANP), alongside our practitioner education programme

Our brands:

FoodPrint®

- Used by over 160 laboratories worldwide
- Innovative, colorimetric microarray-based ELISA technology
- Analyses IgG antibodies to over 200 different foods with vegan and vegetarian panels available

Food Detective® PROFESSIONAL

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

FoodELISA

- Wide range of panels available
- Easy to interpret semi quantitative results reported

CNSLab

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

My Health Tracker

- A powerful and comprehensive health app that provides practitioners and patients with a simple and convenient way to manage gut health and access FoodPrint® test results

Embracing wellness

Optimal gut health and digestive function are essential for maintaining good health and wellbeing.

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

Over the last decade more and more scientific evidence has emerged indicating that poor gut health is influential in many chronic illnesses including immune system dysregulation such as allergies and hypersensitivities, mental health, obesity, cancer, heart disease and type 2 diabetes as well as cognitive decline and neurodegenerative diseases such as dementia.

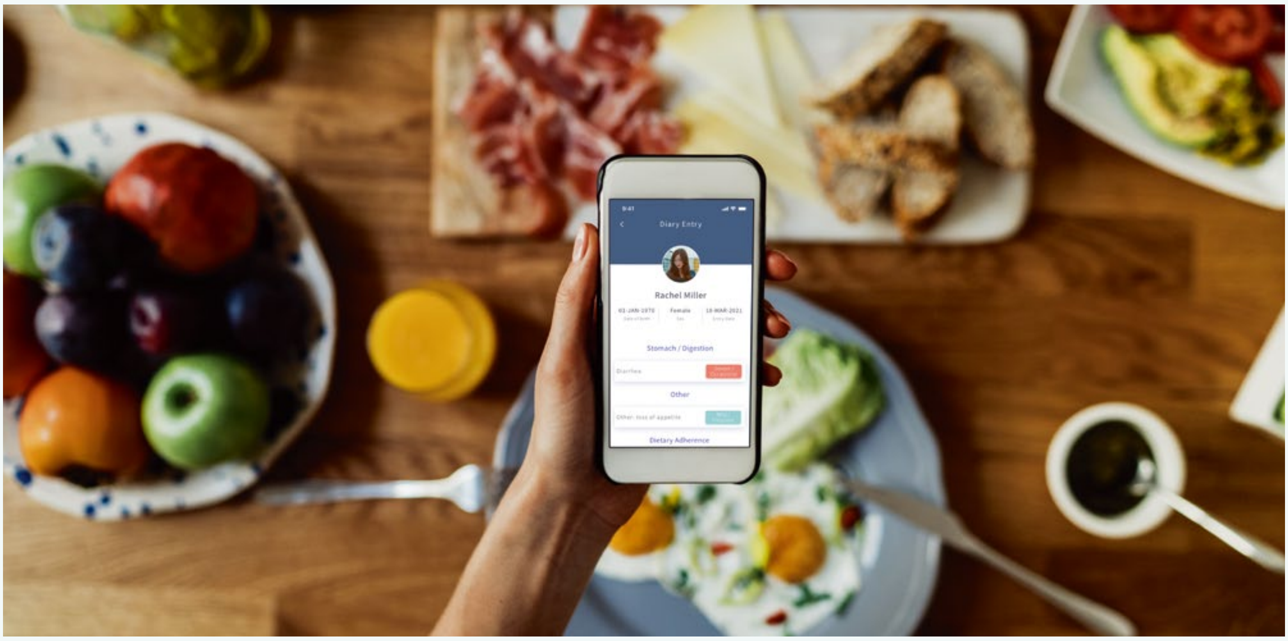
"You have the microbiome you deserve."

Colin Hill
Professor at APC Microbiome Ireland and School of Microbiology, University College Cork

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

Diet plays a major role in influencing the gut microbiome, and a diet rich in fibre from fruit and vegetables, as well as wholegrains will help promote a healthy microbial profile. Conversely, a diet based on refined carbohydrates, sugar and saturated fats encourages alterations in the gut microbiome which leads to increased inflammation and raises risk for obesity, type 2 diabetes and liver disease, among others.

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



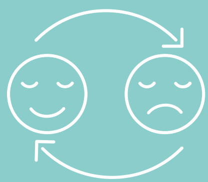
Why is gut health so important to overall health and wellbeing?

75-80%
of the immune system

is located in the gut

95%
of serotonin

which affects mood and regulates digestive function, is produced within the gut



100m
nerve endings

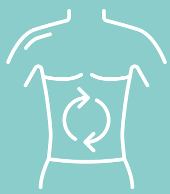
known as the enteric nervous system, line the gut wall linking the brain and the gut

The clinical landscape

Emerging scientific studies are increasingly linking a poor gut microbiome profile with chronic diseases

Up to 2%
of the global population

is estimated to have Coeliac disease[1]



13%
of the global population

report symptoms following consumption of gluten, suffering with non-coeliac gluten sensitivity[1]

Over 40%
of the global population

suffer from gut related symptoms, such as IBS which can adversely impact quality of life[2]

(1) Lebwohl B, Ludvigsson JF, Green PH. Celiac disease and non-celiac gluten sensitivity. BMJ. 2015 Oct 5;351:h4347. doi: 10.1136/bmj.h4347. PMID: 26438584; PMCID: PMC4596973.

(2) Sperber AD, Bangdiwala SI, Drossman DA, et al. Worldwide Prevalence and Burden of Functional Gastrointestinal Disorders, Results of Rome Foundation Global Study. Gastroenterology. 2021;160(1):99-114.e3. do1:10.1053/j.gastro.2020.04.014.

How we are different

Geographic presence

With a geographic presence in over 85 countries, with more than 160 laboratories around the world offering our FoodPrint® test and our products positioned at the heart of functional testing for gut health and nutrition, Omega is well placed to exploit the anticipated growth within the global health and wellness sector.

People and knowledge

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

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

Technology and innovation

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

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

Strong partnerships

Our global partnerships are a key factor in our commercial success and our business partners enjoy the support of our sales and scientific marketing teams in helping them commercialise our products in their markets.

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

Focused on our future

Simon Douglas
Chairman

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

Business performance

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

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

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

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

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

New products

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

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

New products continued

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

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

Strong balance sheet

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

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

Board and employees

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

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

Post-year end

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

Corporate governance

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

Outlook and name change

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

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

Simon Douglas
Chairman
2 August 2023

Significant revenue growth through CNSLab

95%
revenue growth y-o-y in 2023

5%
growth in number of registered healthcare practitioners

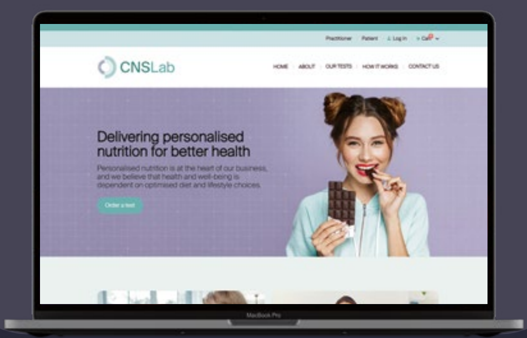
700+
Over 700 healthcare practitioners globally watched our educational webinars in the last year

CNSLab

Based at our manufacturing site in Littleport, CNSLab are pioneers in food sensitivity testing and offer high quality functional diagnostic testing.

For over 20 years we have used our expertise and knowledge in the nutrition and functional medicine sector to offer advanced laboratory diagnostics to improve health and wellbeing.

New e-commerce website for practitioners and end users launched Q2 FY 24



Laying a foundation

Jag Grewal
Chief Executive

Highlights

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

"The Group offers products to test for food sensitivity, a condition where there is a delayed adverse physiological response to particular foods, as opposed to an allergic reaction to food."

"CNSLab sales in the UK grew by 95% driven by both practitioner-based business as well as consumer demand serviced by our white-label partners."

Introduction

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

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

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

Core business review

Health and Nutrition

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

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

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

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

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

Despite the operational difficulties, order intake was up over prior year due to new installations and Omega's scientific marketing team continuing to work incredibly hard to educate consumers and drive awareness of nutritional therapy through our Health and Nutrition Academy webinars. These webinars have also focused on naturopathic practice, functional medicine and sports nutrition.

Part of laying a new foundation is the requirement for a new, purpose-built facility. The current project has yet to be delivered by the landlord and the Company has rejected the terms of the landlord's recent proposal for delivery of the site. We are now considering alternative options. As previously confirmed, an agreement has been reached to extend the current Littleport lease to June 2025, thus providing sufficient time to resolve the outstanding issues and facilitate an orderly relocation in due course.

Global Health (now discontinued)

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

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

Under the terms of the sale, Omega received an immediate cash payment of £1.3 million for fixed assets and inventory, an additional £4.0 million for the intellectual property and a 4% royalty on the sale of CD4 tests to 31 December 2026, capped at £1.0 million.

At the time of writing, Omega remains in an ongoing dispute with the Department of Health and Social Care regarding the potential repayment of a pre-production payment of £2.5 million under a contract to manufacture COVID-19 lateral flow tests and a substantial counterclaim has been intimated in favour of the Company. Discussions with the DHSC are ongoing, the nature of which are not publicly disclosable due to confidentiality arrangements.

Strategy

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

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

Strategy continued

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

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

In order to realise our vision of becoming a leader in delivering diagnostics that provide a complete gut health assessment, it has been our intention to build a wider menu of complementary gut health tests and to sell these through our already well-established channels in over 85 countries. The gut microbiome is the new frontier to understanding chronic inflammatory conditions arising from poor gut health. Over recent years the gut microbiome in particular has been linked to a plethora of diseases and conditions, from diabetes and anxiety to obesity and the Group has recently seen a growing demand from its existing customer base in this segment.

In addition to the microbiome, it is also important to understand the relationship between nutrients, diet, and gene expression. Nutrigenomics allows the healthcare professional to understand genetic strengths and weaknesses making specific improvements that help achieve better health. Combining microbiome and nutrigenomics with our existing IgG tests provides a compelling value proposition that will offer true personalised nutritional assessment and the Board believes that menu expansion has the potential to generate material revenue growth over the medium term. The Directors believe that menu expansion from microbiome and nutrigenomics combined has the potential to increase revenues by £2 million to £5 million over the next five years.

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

Summary and Outlook

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

Whilst it's disappointing to have challenges regarding the lower-than-expected production yields, we have taken swift action to bring in consultants to oversee a number of process improvements and are confident the actions being taken will deliver a material improvement in yield in the near term. Embedding key lessons learned from this is part of laying a brand-new foundation for a business that is emerging from a group structure and learning to stand on its own two feet. Now based in Ely, Cambridgeshire, we have had to build new finance, HR and regulatory teams that were previously located in Alva, Scotland. We have a new senior management team and need to get through the "storming and norming" stages to gel teams together, change culture and step out of some of the legacy shadows to drive the business forward.

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

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

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

J Grewal

Jag Grewal
Chief Executive Officer
2 August 2023

Our go-to-market strategy

How we go to market

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

How we are different

- Our passionate commitment to improving lives by informing health decisions.
- Our unique diagnostic solutions, backed by our deep scientific expertise.
- Our extensive global reach, and our well-established partnerships and networks.
- Our highly collaborative approach and inclusive way of working.
- Our agile mindset and our ability to meet changing customer needs.
- Our determination to empower, educate and inspire the markets we serve.

Value creation

Our shareholders

Omega is an actively traded AIM stock, supported by a large retail shareholder base. Significant shareholders, with an over 3% shareholding, are shown on the Company website (https://www.omegadx.com/Investor-Relations/Share-Holder-Information) with many of these shareholders representing Execution Only accounts on behalf of retail investors. The Directors collectively own 2.57% of the issued share capital.

Our customers

We have a diverse base of customers across more than 85 countries. Our products are used by healthcare practitioners in both public and private healthcare facilities around the globe. GPs, internal medicine specialists, some key specialists such as gastroenterologists, and dermatologists, nutritionists, dieticians, functional medicine practitioners and naturopaths trust our products to help identify the root cause of patient symptoms relating to gut health and inflammation.

Our suppliers and partners

We work hard at establishing close and collaborative working relationships with our suppliers and partner organisations.

Our people

Our employees are our biggest asset, and are highly educated and experts in their fields. Our team also reflects the fact we are a global business with more than 15 languages spoken by our UK team.

25% of senior scientists are female.

30% of employees have more than five years' service.

Our communities

We have been based at our site in Littleport, near Ely, Cambridgeshire for over 30 years.

Over 50% of our employees live within a ten-mile radius of the site.

Underpinned by our core values

Customer focus | Collaboration | Respect | Honesty | Accountability

Significant opportunities for growth

Global functional medicine testing market[4]:

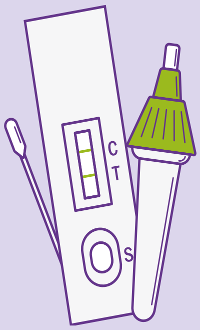
Estimated at
$5.6bn
by 2025

With y-o-y growth up to
10%

UK market for free-from foods[1]:

Estimated at
£3.17bn

With y-o-y growth up to
1.5%



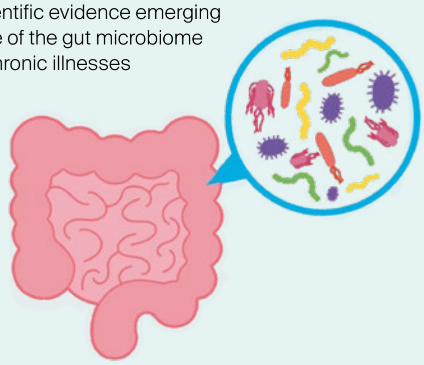
Increased user confidence in at-home testing:

65%

of UK sports nutrition consumers are more open to at-home health testing since the COVID-19 outbreak[2]

Key market drivers:

Increasing scientific evidence emerging of the influence of the gut microbiome in respect of chronic illnesses



Increased awareness amongst consumers on the effect some foods can have on health, for example:

Up to 13%

of global population report symptoms following consumption of gluten grains, such as wheat or barley

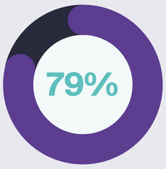
Free-from foods more widely available:

- global market for gluten free products set to increase 133% in next ten years to $14 billion[1]
- plant milk sales rising 11% CAGR to $34 million by 2032[1]

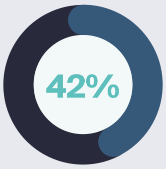
Consumers prioritising health and wellness:

A McKinsey survey of
7,500
consumers

conducted in
6 countries
concluded that:



said wellness was important



said wellness was a priority

of respondents stated that they were aware of the importance of optimal gut health to their overall wellbeing[3]

(1) Kantar WorldPanel 2022.
(2) Mintel.
(3) International Food Information Council (IFIC) Survey 2022.
(4) Industry ARC Functional Medicine Lab Testing Market – Forecast (2023–2028)

Case study

FoodPrint® automation solution for laboratories

- Successful validation of automated FoodPrint® assay in Dubai Hospital Immunology Lab by our Middle Eastern business partners supported by our Ely scientific team.
- A collaboration with Dynex, one of the market leaders in laboratory automation, to develop a customised software solution for FoodPrint® on the Dynex DS2®, a common liquid handling platform found in many laboratories across the world.
- Automates what is a manual assay procedure which offers many benefits in performance and walk away capability for our laboratory customers.
- Planned roll out to other high throughput global lab partners during FY24.

Customer base

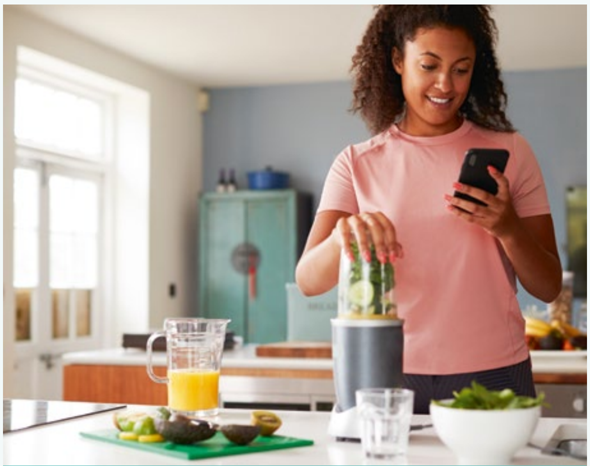
Government and private hospitals/clinics	**Reference laboratories**	**Nutritionists**	**Naturopaths**	**Functional medicine healthcare practitioners**

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.

Our key strengths

- Global network and brand reach in over 85 countries
- Highly qualified and knowledgeable team
- Strong partnerships with business partners, lab partners and health care practitioners, and local professional bodies
- Pioneers and experts in food sensitivity testing

Future growth strategy



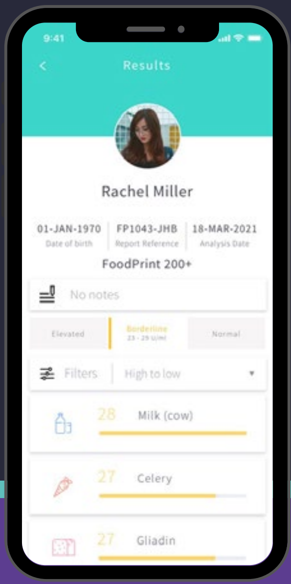
Organic

- Capitalise on increased demand for home health testing
- Maintain leadership position through scientific education programme and building awareness with healthcare practitioners
- Embrace digital technology that will empower our customers to reach and engage their patients more easily
- Marketing activities focused on digital technologies/channels and brand awareness
- Roll out of automated assay solution for high throughput lab customers

Geographic

- On-going channel optimisation addressing vacant markets and distributor upskilling
- Entry into the health-conscious and mature private health and wellbeing US market with three FoodPrint® installations planned in 2023
- China represents an increasingly health-conscious market and excellent opportunity for Food Detective®

Underpinned by responsible and efficient management



Menu

- Developing complementary tests to sell to our markets including microbiome and nutrigenomics
- Expansion of our menu of tests will allow our healthcare practitioner customers greater clinical insight into patient health status, enabling our vision of delivering personalised nutrition for better health

Case study

Connecting to the customer

Managing and tracking health and wellbeing information

Traditional methods of managing health information are often fragmented and inefficient for both practitioner and patient. Consumers are now turning to free or low cost health apps to meet specific goals related to fitness, diet and weight loss.

Health apps empower practitioners and patients to collect, manage and monitor health information easily leading to a more personalised approach to patient management, better patient/practitioner engagement and ultimately better health outcomes.

63% of US adults used an app for health related purposes in 2022 (Insider Intelligence, Dec 2022).

- 12% of users use apps for virtual practitioner engagement
- 16% use health apps for nutrition/dietary support

Health app users globally:

385 million

Sources: Data.ai, Marketer, MoEngage 2021

Omega launched its MyHealthTracker app in March 2023 to its UK practitioner base, with global roll out planned through FY23/24.

- Digitised results for practitioners and patients
- Improved customer experience and patient management
- Wellness diary for easy symptom monitoring
- Better understanding of audiences through data
- Locks in customers through the value chain

Connecting with our stakeholders

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

Section 172 statement

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

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

b. the interests of the company's employees;

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

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

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

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

The Board considers that, collectively and individually, it has acted in good faith and in ways that are most likely to promote success for the Company and Group during the year ended 31 March 2023, and that it continues to exercise judgement and make decisions that comply with the Companies Act 2006. The Board reviews and approves an annual budget that includes investment decisions which can impact the long-term future of the Group. The Board has regard to likely return on investment when projects compete for scarce resources and the focus is now fully on the Health and Nutrition area of the business which offers the greatest opportunities for shareholder return.

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

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

Communication with customers is maintained on a frequent basis under the responsibility of the Global Sales Director, who is supported by a team of Regional Sales Managers. The Group has customers in over 85 countries throughout the world and is normally able to meet with customers through attendance at major industry trade shows throughout the year. The Group has organised a number of webinars for its Health and Nutrition customers which have been well attended throughout the year. Complaints from customers are carefully monitored and recorded through a quality management system that seeks to provide a quick resolution to any issue.

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

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 and is happy to continue to engage with all shareholders. Contact can be made using omega@walbrookpr.com

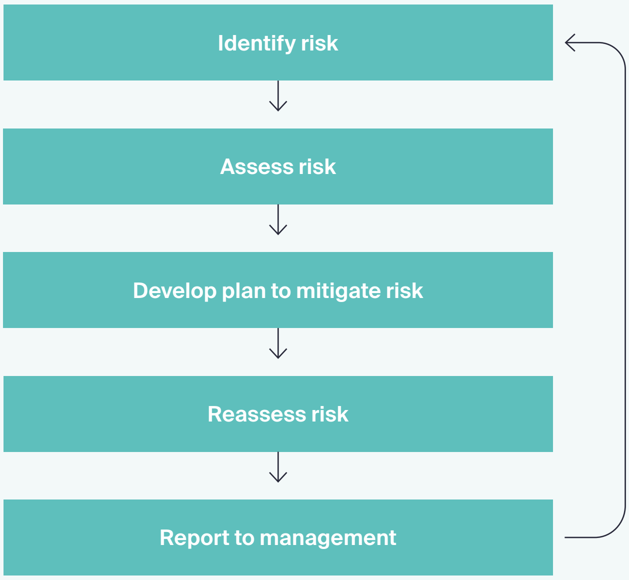
Updating the Board

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

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

Operating a system of internal control and risk management

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



Risk management process

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

Principal risks and uncertainties

Risk and description	Mitigating actions	Change
General economic and political conditions		
The Group may be faced with changes in the general economic climate in each territory in which it operates that may adversely affect the financial performance of the Group. Factors which may contribute include the level of direct and indirect competition against the Group, industrial disruption, conflicts, rate of growth of the Group's product segments, inflation and interest rates. Following the conclusion of Brexit with the EU, the UK's ability to enter into trade deals with other countries could be subject to delay. As the world recovers from the economic impact of COVID-19, many markets, including the UK, are seeing high levels of cost inflation. This inflationary pressure is increasing the cost base of the Group. The war in Ukraine is reducing demand for the Group's products in Eastern Europe and a further protracted conflict may exacerbate this issue.	The Group seeks to mitigate this risk by conducting operations on a broad geographic basis and by introducing new technologies to remain innovative. The Group is able to pass on a proportion of its incremental costs to its customers by increasing selling prices, although there is generally a notice period required.	There is an overall increase in risk due to the continuing war in Ukraine having an adverse impact on sales activity in Eastern Europe and cost inflation is impacting input costs and salaries.

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

Risk and description	Mitigating actions	Change
DHSC litigation risk		Decrease in risk
The Group's contract with the DHSC to provide manufacturing capacity for COVID-19 lateral flow antigen tests expired on 1 October 2021. Following the expiry of that contract, DHSC requested a proposal for the repayment of a pre-production payment of £2.5 million (net of VAT) which had been made by the DHSC to the Group under the contract. In the event that the outcome of the dispute is not resolved in the Group's favour, then the Group may be liable to repay some or all of the £2.5 million claimed by the DHSC.	The Group, having taken initial legal advice, does not believe that it is required to repay this pre-production payment and considers that it is entitled to recover additional losses incurred in connection with the contract. Discussions with the DHSC are ongoing, the nature of which cannot currently be disclosed publicly due to confidentiality arrangements.	The Company now intends to pursue a substantial counterclaim against DHSC to seek to recover additional losses incurred in connection with the contract.
Regulatory risk		Decrease in risk
Certain markets in which the Group operates are regulated by governmental agencies. Changes in any such regulatory requirements or delays when seeking new approvals could affect the ability of the Group to manufacture, market or sell its Group's products and services. Furthermore, the nature of some of the markets addressed by the Group's products is such that their general size and growth depend to a large extent on government or other regulatory policies and decisions over which the Group has no control. Should it be the case that the Group's products become subject to further regulatory or other restrictions, then the Group may incur further research and/or development costs, or could be required to apply for regulatory approvals, which could have a material adverse effect on its financial position or prospects.	The Group continually monitors its product portfolio for fitness for purpose. The Group engages with regulatory organisations and notified bodies to understand and implement their requirements. The Regulatory team has developed its strategy to address the requirements of the new IVD Regulations (2017/746).	Following the withdrawal from the manufacture of COVID-19 products and the divestment of the CD4 business, the ongoing activities within the Health and Nutrition business are less regulated than those within the Global Health division.
Funding/solvency risk		Decrease in risk
The Group is reliant on funds generated from its trading operations or from external debt and/or equity funders. There is no certainty that additional funding will be forthcoming should it be required.	The Group seeks to maintain strong relationships with shareholders and its bank. The divestment of the loss-making Global Health division has provided significant additional cash resources and leaves the Group with a stronger balance sheet.	The Group successfully raised £2.2 million (gross) in June 2022 by way of a placing and open offer/subscription. The Group received cash proceeds of £5.3 million following the sale of the CD4 business and had cash balances of £5.1 million as at 31 March 2023.

Principal risks and uncertainties continued

Risk and description	Mitigating actions	Change
Cyber security risk The Group's IT systems could be subject to attack from ransomware, malware and distributed denial of service attacks. The launch of the app has created additional data streams for the Group to manage.	The Group has IT security systems, data breach policies and awareness training in place to mitigate against cyber-attacks. Dual factor authentication has been implemented for remote users to access the servers/domains. The IT network continues to be managed by a specialist IT firm on behalf of the Group. The Group has engaged with a specialist cybersecurity and GDPR compliance consultancy firm to benchmark the current level of compliance and recommend further areas of improvement.	Cybersecurity attacks are becoming more powerful and effective and the threat may be exacerbated as more employees work from home. The launch of the MyHealthTracker app has increased the volume of data the Group needs to process, manage and protect.
Development risk There is no guarantee that development activity will lead to the future launch of products. Such development activity can meet technical hurdles that cannot be overcome and market and competitor activity can render the output from development activities obsolete. Poor product evaluations could lead to delays in approvals and product launches.	The Group seeks to mitigate the risk around development activities by ensuring that new product candidates undergo a rigorous screening program.	The majority of product development expenditure has historically been within the now-discontinued Global Health division. In future, development will focus on service development.
Technology risk Competition introduces new technology that competes with the Group's current portfolio which is disruptive in nature.	The Group adapts sales and marketing tactics as necessary and seeks to educate business partners on how to handle competitive threats. The Group is deploying a digital strategy with an App to enhance the customer experience.	The Group continues to invest in new technologies which can add value to its business and is currently exploring potential new manufacturing technologies to replace its ageing slide printing equipment.
Supply chain risk Certain parts of our business may be reliant on single sources of supply or single customer partnerships. The Group is currently investigating a dual sourcing plan for key raw materials and services.	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.	As part of the recent production yield improvement plan, the Group has identified a number of key suppliers where contracts and/or quality agreements could be improved.
New manufacturing site risk The Group has long planned to relocate its Health and Nutrition business to a new, purpose-built facility in Ely. The property developer has advised that it does not currently have access to funding to enable it to undertake the remaining works. The planned relocation may be further delayed, the Group may incur additional costs or the Group may need to look for an alternative manufacturing facility. In the absence of a suitable new facility being available, the Health and Nutrition business may have insufficient capacity to meet its growth aspirations in the medium term and revenue growth will be slower than anticipated.	The Group is in discussions with the developer to potentially vary the agreed terms of the lease to allow the building to be completed and is exploring options for alternative premises.	The Group has secured an extension to the Littleport lease until June 2025. Recent production yield improvements have provided additional capacity for the core FoodPrint® products.

Key Increase in risk | Decrease in risk | No change in risk

Risk and description	Mitigating actions	Change
Production process risk		Increase in risk
The FoodPrint® manufacturing process is complex, with extremely fine tolerances and biological materials which introduce variability into the manufacturing process. The manufacturing technology is based on contact printing, using ageing equipment and requires significant manual intervention. As a result, production yields can vary from batch to batch, scrap rates can vary significantly and customer deliveries can potentially be delayed.	Specialist production consultants have been engaged to review the FoodPrint® manufacturing process and to recommend process improvements, revised operating procedures and more detailed KPIs. Staff have been trained to use a fault tree methodology to investigate results and optimise output. KPIs are now visible throughout the site.	FoodPrint® yields have been falling for the last three years, with a catastrophic decline being observed from October 2022. This has substantially increased scrap costs and delayed deliveries to customers. Post year end, yields have improved significantly and further work is underway internally to maintain and improve yields still further.
Key employees		Increase in risk
The Group's development and prospects are dependent upon training and retaining qualified professional, scientific and technical operating staff. In particular, the Group's success depends to a significant degree upon the vision, technical and specialist skills, experience, performance, and continued service of its Directors, senior management and other key personnel. Whilst the Group has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed and the loss of the services of any of the Directors, senior management or key personnel may have a material adverse effect on the Group. The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Effective product development, innovation, manufacturing and testing, upon which the Group's success is dependent, is in turn dependent upon attracting and retaining talented technical, scientific and marketing personnel, who represent a significant asset and serve as the source of the Group's technological and product innovations.	The Group aims to offer competitive salary and benefits packages by monitoring trends in the industry and periodically undertaking a UK-wide salary benchmarking exercise. The Group has recently implemented a new, long-term incentive plan for Executive Directors and senior managers. This plan is intended to retain and reward key personnel for improved share price performance over a three-year period. Management training programs are in place. Staff appraisals and development programs are in place.	Staff turnover has increased as individuals seek new opportunities following the exit from the pandemic and in a market where wage inflation is high.
Customer concentration		No change in risk
The Group's top three customers account for 27% of revenue. The Group's largest customer accounts for 11% of revenue.	The Group operates in over 85 countries and is continuously looking to expand its global customer base. The expansion of the Group's product range will attract new customers. The launch of the app puts the Group's digital platform at the heart of patient management, strengthening customer contact.	Customer concentration remains broadly unchanged year on year.

Improving operational efficiency

Chris Lea
Chief Financial Officer

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

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

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

Dispute with the DHSC

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

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

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

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

Placing and an open offer/direct subscription

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

Disposal/sale of CD4 business

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

Following the sale, the Group were left with surplus plant and equipment with a net book value of £0.7 million, the majority of which relate to the COVID-19 business and which were purchased as part of the site expansion for the DHSC contract. These assets were offered to potential purchasers of the CD4 business and as such have been classified as assets held for sale at 31 March 2022. These non-CD4 assets were written down to an estimated recoverable amount of £0.1 million as at 31 March 2022 and were fully impaired as at 30 September 2022. Finance lease liabilities of £0.4 million remain outstanding in relation to lateral flow equipment which was purchased for the manufacture of COVID-19 lateral flow tests for the DHSC and the commercial market.

Financial results summary – continuing operations

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

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

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

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

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

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

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

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

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

Financial results summary – continuing operations
continued

Exceptional items

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

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

Financial results summary – discontinued operations

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

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

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

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

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

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

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

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

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

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

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

Assets held for sale

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

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

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

Adjusted EBITDA

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

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

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

Taxation

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

Loss per share

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

Research and development

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

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

Property, plant and equipment

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

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

Financing and going concern

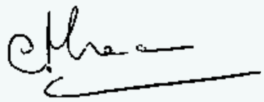
Following the disposal of the operations in Scotland, the Group has appointed NatWest to replace Bank of Scotland as its bankers, with support to be provided by the East of England corporate team, more local to the Littleport site. In determining the appropriate basis of preparation of the financial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

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

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

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

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



Chris Lea
Chief Financial Officer
2 August 2023

Our experienced leadership

Dr Simon Douglas, PhD, MPhil, BSc (Hons)
Non-Executive Chairman

Appointed on:
11 February 2021

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

Simon was appointed Chairman in February 2021. He has over 30 years' experience in the biotech industry, including ten 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 Fusion Antibodies plc, an AIM listed CRO providing services for the discovery and development of antibody-based therapies, C-Major Medical, a venture capital backed medical device company and Chairman of Cambridge start up, HexagonFab.

Jag Grewal, BSc Hons, MSC, MBA
Chief Executive Officer

Appointed on:
30 June 2011

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

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

Chris Lea, BSc Hons, ACA
Chief Financial Officer and Company Secretary

Appointed on:
30 August 2021

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

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

Jeremy Millard, BA (Hons) M.Eng
Non-Executive Director

Appointed on:
1 March 2019

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

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

Introduction

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

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

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

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

Board and committee structure

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

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

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

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

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

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

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

The key challenges we face are:

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

Seek to understand and meet shareholder needs and expectations

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

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

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

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

Employees

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

Customers

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

Suppliers

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

Regulatory bodies

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

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

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

This Annual Report includes an analysis of key risks along with mitigating actions.

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

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

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

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

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

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

The Board meets at monthly 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 Company has procured appropriate Directors and Officers liability insurance. Each of the Directors benefit from deeds of indemnity provided by the Company.

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

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

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

For the year ended 31 March 2023, the number of meetings held, and attendance by each Board member at those meetings for which they are entitled to attend, is as follows:

	Board meetings	Audit Committee	Remuneration Committee
Simon Douglas	11/11	3/3	2/2
Jeremy Millard	11/11	3/3	2/2
Jag Grewal	11/11	–	–
Chris Lea	11/11	–	–

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

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

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

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

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

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

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

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

The Group has adopted the following core values:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee

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

The Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Group's external auditors. The Committee also oversees the relationship with the external auditors including approval of remuneration levels, approval of terms of engagement and assessment of their independence and objectivity. In so doing, they take into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services. RSM UK Audit LLP were appointed in March 2023 to replace Ernst & Young LLP and will be proposed for re-appointment at the forthcoming Annual General Meeting.

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

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

The Remuneration Committee

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

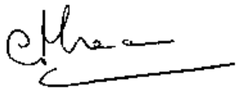
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

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

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

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

By order of the Board



Chris Lea
Company Secretary
2 August 2023

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

Remuneration Committee

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

Remuneration policy

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

Directors' service contracts

Jag Grewal entered into a service contract with the Group on 30 June 2011, under which he was appointed as an Executive Director. His salary was increased to £195,000 on 18 January 2022 following his appointment to Chief Executive Officer. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

Jeremy Millard was appointed as a Non-Executive Director of the Group on 1 March 2019 and is currently entitled to an annual fee of £36,000. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Simon Douglas was appointed as Non-Executive Chairman of the Group on 11 February 2021 and is entitled to an annual fee of £57,000. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Chris Lea entered into a service contract with the Group on 30 August 2021, under which he was appointed as Chief Financial Officer and Company Secretary on an annual salary of £187,000. The agreement will continue until terminated by either party giving to the other not less than six months' notice in writing.

Directors' emoluments

	Fees/basic salary £'000	Bonuses £'000	Benefits in kind £'000	**Total 2023 £'000**	Total 2022 £'000
Executive					
Kieron Harbinson*	–	–	–	**–**	71
Jag Grewal	195	150	6	**351**	166
Colin King**	–	–	–	**–**	443
Chris Lea***	185	150	–	**335**	106
Non-Executive					
Simon Douglas	57	–	–	**57**	55
William Rhodes****	–	–	–	**–**	46
Jeremy Millard	36	–	–	**36**	35
	473	300	6	**779**	922

* Resigned 30 August 2021.
** Resigned 18 January 2022.
*** Appointed 30 August 2021.
**** Resigned 28 February 2022.

Bonus awards were granted on the successful disposal of the CD4 business and the receipt of the £4.0 million deferred consideration. A condition of these awards was that the Executive Directors were required to purchase shares in the Company equivalent to approximately half of the net cash bonuses. These shares were purchased in the market on 26 January 2023.

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

Directors' pension contributions

	2023 £'000	2022 £'000
Jag Grewal	**10**	8
Colin King	**–**	9
Chris Lea	**9**	5
	19	22

Directors' interests in ordinary shares

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

	31 March 2023	31 March 2022
Simon Douglas	**760,001**	–
Jag Grewal	**2,025,834**	235,746
Chris Lea	**2,030,908**	–
Jeremy Millard	**1,025,000**	525,000

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

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

Directors' share options

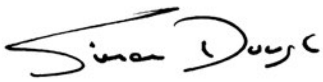
	At 1 April 2022	Granted during the year	Lapsed during the year	Exercised during the year	Waived during the year	**At 31 March 2023**	Option price	Date of grant	Earliest exercise date	Expiry date
Jag Grewal	90,000	–	–	–	(90,000)	**–**	14.5p	05/07/12	05/07/15	05/07/22
	610,000	–	–	–	(610,000)	**–**	30.5p	25/02/14	25/02/17	25/02/24
	500,000	–	–	–	(500,000)	**–**	15.4p	23/01/20	23/01/22	23/01/30
	–	4,700,715	–	–	–	**4,700,715**	0.0p	08/06/22	08/06/25	08/06/32
	–	1,200,000	–	–	–	**1,200,000**	0.0p	08/06/22	08/06/25	08/06/32
Chris Lea	–	4,339,121	–	–	–	**4,339,121**	0.0p	08/06/22	08/06/25	08/06/32
	–	1,000,000	–	–	–	**1,000,000**	0.0p	08/06/22	30/08/24	08/06/32
Jeremy Millard	333,334	–	–	–	–	**333,334**	10.0p	02/12/19	02/12/20	02/12/29
Simon Douglas	200,000	–	–	–	(200,000)	**–**	89.0p	05/03/21	05/03/22	05/03/31
	–	200,000	–	–	–	**200,000**	4.0p	09/06/22	09/06/25	09/06/32

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

Awards made to Simon Douglas and Jeremy Millard are granted under the Third Unapproved Option Scheme and one third of the options vest one year after grant, another third vests two years after grant and the final third vests three years after grant.

The share price at 31 March 2023 was 3.1 pence. The highest and lowest share prices during the year were 5.7 pence and 2.1 pence respectively.

Approved by the Board



Simon Douglas
Chairman
2 August 2023

The Directors present their Annual Report and Group Financial Statements for the year ended 31 March 2023.

Principal activities

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

Results and dividends

The result for the year is a loss of £3.9 million (2022: £11.3 million), which has been taken to reserves. The Directors do not propose to pay a dividend. The results are disclosed in more detail in the Strategic Report.

The Company's profit for the year ended 31 March 2023 is £22,000 (2022: loss of £2.8 million).

Future development

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

Research and development

Details of research and development activity are contained in the Financial Review. Costs in the year amounted to £0.5 million (2022: £1.2 million). Costs of £0.4 million in relation to research and development activities (2022: £0.6 million) were expensed through the statement of comprehensive income and costs of £0.1 million in relation to product development (2022: £0.6 million) were capitalised and included within intangible assets as detailed in Note 9.

Directors

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

- Simon Douglas;
- Jag Grewal;
- Jeremy Millard; and
- Chris Lea.

Biographies of all Directors serving at the year end are on page 31.

Directors' interests

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

	Number of shares held at 31 March 2022	Number of shares purchased in year	Number of shares sold in year	**Number of shares held at 31 March 2023**
Simon Douglas	–	760,001	–	**760,001**
Jag Grewal	235,746	1,800,088	–	**2,035,834**
Jeremy Millard	525,000	500,000	–	**1,025,000**
Chris Lea	–	2,030,908	–	**2,030,908**

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

Employees

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

Disabled employees

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

Treasury policy and financial risk management

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

Auditor

A resolution for the appointment of RSM UK Audit LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

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

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

Major interests in shares

As at 30 June 2023, the following shareholders have notified the Group that they hold 3% or more of the Group's issued ordinary share capital:

Shareholder	Shares	Percentage
Hargreaves Lansdown, stockbrokers (EO)	48,851,207	20.55%
Interactive Investor (EO)	27,681,207	11.65%
Spreadex Limited	26,209,022	11.20%
IG Markets, stockbrokers (EO)	21,829,155	9.18%
HSDL, stockbrokers (EO)	20,909,261	8.80%
AJ Bell, stockbrokers (EO)	11,902,860	5.01%
Barclays Smart Investors (EO)	11,679,000	4.91%
Dowgate Capital	9,466,426	3.98%

Going concern

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

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

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

- The reverse stress test indicates revenue could fall by a further 45% and a gross margin could deteriorate by an additional 2% before forecast cash resources are exhausted.

After taking legal advice and making an assessment of the terms and conditions contained within the contract with the DHSC, the Directors do not believe the Group will be required to repay the pre-production payment of £2.5 million. In addition, the Directors consider there to be grounds to claim for damages for additional losses incurred under the contract. As such, the Directors believe there is a reasonable prospect that there will be no cash outflow in the form of a repayment to the DHSC in the going concern period and repayment is not included in the base case or as a sensitivity. However, the Directors acknowledge that there is a risk that a repayment of some or all of this amount may be required, the timing and quantum of which is uncertain.

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

By order of the Board

Chris Lea
Company Secretary
2 August 2023

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

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

In preparing these financial statements the Directors are required to:

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

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

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

Opinion

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 2023 which comprise Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach

Key audit matters	**Group** • Goodwill impairment
Materiality	**Group** • Overall materiality: £75,000 (2022: £96,000) • Performance materiality: £48,700 (2022: £48,000) **Parent Company** • Overall materiality: £230,000 (2022: £200,000) • Performance materiality: £149,000
Scope	Our audit procedures cover 100% of revenue, 98% of absolute loss before tax and 97% of total assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including 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 Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters continued

Key audit matter description	Refer to Note 2 – Use of estimates and judgements and Note 9 – Intangibles The Group has a Goodwill balance of £3.0 million (2022: £3.0 million) relating to historic acquisitions as described in Note 9 in the consolidated financial statements. Management assess goodwill for impairment using a discounted cash flow (DCF) model to estimate the value in use of the Group's cash-generating unit (CGU) and compare this to the carrying values of the CGU. The use of a DCF model requires management to make estimates involving judgement, including forecasts of revenue and profitability and application of appropriate discount rates and as a result the matter was considered to be one of most significance in the Group audit and therefore determined to be a key audit matter.
How the matter was addressed in the audit	Our work included: 1. Corroborating of inputs to the DCF models to relevant external and internal financial information and challenging of management assumptions. 2. Comparison of historical forecast performance to current year actual financial performance to assess reliability of forecasting. 3. Comparison of forecast performance to post-year-end trading performance to assess reliability of forecasting. 4. Verification of management's discount rate to externally available sources. 5. Engagement with internal valuation specialist in regard to consideration of the discount rate applied in management's DCF models. 6. Challenge of forecasts focused on ability to achieve revenue levels and maintain cost base. 7. Audit of management's sensitivity analysis including challenging the reasonableness of the range applied to key assumptions. 8. Checking the arithmetic accuracy of the DCF models. 9. Reviewing of the disclosures in the financial statements and considering of their completeness, accuracy and appropriateness including disclosure of key inputs and sensitivity analysis.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£75,000 (2022: £96,000)	£230,000 (2022: £200,000)
Basis for determining overall materiality	1% of Revenue	1% of Total Assets
Rationale for benchmark applied	Revenue is the key benchmark against which the business is assessed by management and investors.	The holding company is primarily focused on the investments that it holds.
Performance materiality	£48,700 (2022: £48,000)	£149,000
Basis for determining performance materiality	65% of overall materiality	65% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £3,750 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £11,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of three components, two of which are based in the UK, one in India.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Loss before tax	Total assets
Full scope audit	1	94%	63%	91%
Specific audit procedures	2	6%	35%	6%
Total	3	100%	98%	97%

All of the above was undertaken by the Group audit engagement team.

Specific audit procedures were undertaken to achieve sufficient Group coverage. They included revenue and cash in the Indian component, and costs and cash in the UK component.

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's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- A review of the forecasts prepared by management for the period to 31 August 2024, including challenging the key assumptions;
- A review of post-year-end trading performance of the Group and comparison to the forecasts prepared by management;
- Assessing the sufficiency and appropriateness of the going concern disclosures in the financial statements; and
- Confirmation of the current cash balances and comparison with the forecast.

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's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained 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 our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 the 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 their 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 Statement of Directors' Responsibilities set out on page 40 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's and the 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and Parent Company operate in and how the Group and Parent Company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The extent to which the audit was considered capable of detecting irregularities, including fraud continued

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the audit engagement team
UK-adopted International Accounting Standards, the Companies Act 2006 and AIM Rules	• Review of the financial statement disclosures and testing to supporting documentation. • Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	• Inspection of advice received from external tax advisors.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	• For a sample of transactions, in the identified cut-off period, verifying that revenue had been recognised in the correct reporting period.
Management override of controls	• Testing the appropriateness of journal entries and other adjustments. • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias. • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

RSM UK Audit LLP

Alan Aitchison (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor, Centenary House,
69 Wellington Street,
Glasgow, G2 6HG
2 August 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

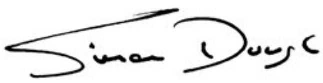
for the year ended 31 March 2023

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

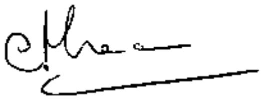
CONSOLIDATED BALANCE SHEET

as at 31 March 2023

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



Simon Douglas
Non-Executive Chairman
2 August 2023



Chris Lea
Chief Financial Officer
2 August 2023

Omega Diagnostics Group PLC
Registered number: 5017761

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2023

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

COMPANY BALANCE SHEET

as at 31 March 2023

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

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

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

Simon Douglas
Non-Executive Chairman
2 August 2023

Chris Lea
Chief Financial Officer
2 August 2023

Omega Diagnostics Group PLC
Registered number: 5017761

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

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

COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2023

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

1 Authorisation of financial statements

The financial statements of Omega Diagnostics Group PLC (registered number: 5017761; registered office address: One Fleet Place, London EC4M 7WS for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 2 August 2023, and the balance sheets were signed on the Board's behalf by Simon Douglas and Chris Lea. Omega Diagnostics Group PLC is a public limited company incorporated in England. The Company's ordinary shares are traded on AIM.

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements. The consolidated financial statements, and the Company financial statements, are presented in sterling and have been prepared in accordance with UK-adopted international accounting standards and, as regards to the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006 not to present the Company statement of comprehensive income.

In relation to IFRS 8 – Operating Segments, the Group has identified the Executive Board as the chief operating decision maker with responsibility for decisions over the allocation of resources to operating segments and for the monitoring of their performance. Following the decision of the Executive Board to discontinue trading in the Global Health segment, the Group now reports on two segments as below:

- Health and Nutrition; and
- Corporate.

Discontinued operations

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

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

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

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

Basis of consolidation

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

Going concern

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

2 Accounting policies continued

Going concern continued

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

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

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

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

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

2 Accounting policies continued

Intangible assets continued

Research and development costs

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

IAS38 Development costs	–	5 to 20 years

Property, plant and equipment

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

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

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

Leases

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

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

Low value leases

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

Asset finance arrangements

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

Impairment of assets

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

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

Inventories

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

2 Accounting policies continued

Trade receivables

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

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

Provision for expected credit losses (ECLs) of receivables

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts or other short-term debt facilities that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial instruments

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

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Trade receivables are measured at the transaction price determined under IFRS 15. The Group's financial assets at amortised cost include trade receivables and loans to subsidiaries.

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

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

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

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

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

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

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

2 Accounting policies continued

Company's investments in subsidiaries

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

Foreign currency translation

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and net of discounts and sales-related taxes. Sales of goods are recognised when our performance obligations have been met. This will be when goods have been despatched and the collection of the related receivable is reasonably assured. Sale of goods relates to the sale of medical diagnostic kits. Revenue relating to CNSLab laboratory services is recognised on communication of test results.

Grants

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

Share-based payments

For equity-settled transactions, the Group measures the award by reference to the fair value at the date at which they are granted and it is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In certain circumstances, such as death of an employee, the Directors can amend the vesting period at their discretion. Fair value is determined using the Black-Scholes model.

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

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

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

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

Pensions

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

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. It is not practical to separate estimates from judgements in relation to future forecasts. Actual results may differ from these estimates.

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

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

Intangible assets – expected useful life

Management judgement is required to estimate the useful lives of intangible assets, having reference to future economic benefits expected to be derived from use of the asset. Economic benefits are based on the fair values of estimated future cash flows. The Group seeks to develop relationships with key external decision makers that can influence the global agenda for the markets in which the Group operates. To the extent that future economic benefits are dependent upon inputs and decisions to be taken by third parties, the Group maintains regular dialogue with these parties to ensure it has the most relevant and up-to-date data upon which to base its judgement. The Group reviews its technology assets on a regular basis by undertaking competitor reviews to ensure the relevance of these assets and to increase the likelihood that future economic benefits will continue to ensue. The period selected for amortisation in relation to the Health and Nutrition products is five years as there is competitor activity in this space.

Carrying value of goodwill

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

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

Deferred tax

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

2 Accounting policies continued

Use of estimates and judgements continued

Deferred tax continued

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

Investments

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

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

Deferred income

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

Fair value of assets held for sale

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

Standards adopted for the first time

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

Standards, amendments and interpretations to existing standards that are not yet effective

There are no new standards, amendments to existing standards or interpretations that are effective as at 31 March 2022 relevant to the Group.

3 Segmental information

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

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

The Corporate segment consists of centralised corporate costs which are not allocated to the trading activities of the Group.

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

3 Segmental information continued

Business segment information

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

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

3 Segmental information continued

Business segment information continued

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

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

The segment assets and liabilities are as follows:

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

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

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

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

Information about major customers

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

Geographical information

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

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

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

3 Segmental information continued

Geographical information continued

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

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

4 Finance costs

Consolidated	2023 £'000	2022 £'000
Interest payable on bank overdraft	1	2
Interest payable on lease liabilities	9	15
Interest on hire purchase and asset finance arrangements	3	4
	13	21

5 Taxation

Consolidated – continuing operations	2023 £'000	2022 £'000
(a) Tax credited/(charged) in the income statement		
Current tax – prior year adjustment	169	–
Deferred tax – current year	(89)	(455)
Deferred tax – prior year adjustment	–	(4)
	80	(459)

5 Taxation continued

Consolidated – continuing operations	2023 £'000	2022 £'000
(b) Reconciliation of total tax (credit)/charge		
Factors affecting the tax (credit)/charge for the year:		
Loss before tax	**(3,252)**	(950)
Effective rate of taxation	**19%**	19%
Loss before tax multiplied by the effective rate of tax	**(618)**	(180)
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**166**	34
Utilisation of tax losses	**–**	–
Notional gains on unexercised employee share option gains deductible in future years – deferred tax	**–**	369
Adjustments in respect of previous periods – deferred tax	**–**	(4)
Deferred tax not recognised	**437**	235
Other timing differences	**102**	–
Adjustment due to different overseas tax rate	**5**	5
Impact of UK rate change on deferred tax	**(3)**	–
Research and development - prior year adjustment	**(169)**	–
Tax (credit)/charge for the year	**(80)**	459

The UK's main corporation tax rate increased from 19% to 25%, from 1 April 2023.

6 Revenue and expenses

Consolidated – continuing operations	2023 £'000	2022 £'000
Revenue and other income		
Revenue – sales of goods	**6,598**	8,055
Revenue – provision of services	**948**	484
Other income	**25**	–
Total revenue and other income	**7,571**	8,539

Consolidated – continuing operations	2023 £'000	2022 £'000
Operating profit is stated after charging:		
Material costs	**2,730**	2,107
Depreciation including right of use asset depreciation	**219**	194
Amortisation of intangibles	**372**	353
Net foreign exchange losses	**(39)**	10
Research and development costs	**274**	343
Low value lease rentals	**17**	15
Share-based payments	**78**	216
Fees payable to the Company's auditors for the audit of the annual accounts:	**40**	65
– Local statutory audit of subsidiaries	**50**	85
– Local statutory audit of the parent company	**10**	10
Fees payable to the Company's auditors for other services:		
– Taxation compliance	**–**	10
– Taxation advisory	**–**	–

6 Revenue and expenses continued

Exceptional items summary

Management consider exceptional items to be income or expenditure which are material and non-recurring in nature.

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

The aborted relocation costs relate to the proposed new manufacturing facility in Ely which is now considered unlikely to proceed.

Staff costs

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

Consolidated	2023 Number	2022 Number
Operations	**43**	42
Management and administration	**48**	43
Employee numbers	**91**	85

Their aggregate remuneration comprised:

Consolidated	2023 £'000	2022 £'000
Wages and salaries	**3,559**	3,492
Social security costs	**380**	352
Pension costs	**129**	129
Share-based payments	**78**	216
	4,146	4,189

Whilst three directors are employed by the Company, no personnel expenses are paid directly by the Company.

Equity-settled share-based payments

Consolidated and Company

The share-based payment plans are described below.

2007 EMI Option Scheme and 2020 EMI Option Scheme

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

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

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

Third Unapproved Option Scheme (TUOS)

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

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

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

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

6 Revenue and expenses continued

Equity-settled share-based payments continued

Consolidated and Company continued

Long-Term Incentive Plan (LTIP)

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

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

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

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

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

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

	2023 Number	2023 WAEP	2022 Number	2022 WAEP
Outstanding at 1 April	**7,838,740**	**19p**	9,827,074	19p
Granted during the year under the 2022 LTIP	**14,239,836**	**–**	–	–
Granted during the year under the TUOS	**200,000**	**4p**	–	–
Exercised during the year	**–**	**–**	(50,000)	–
Lapsed during the year under the EMI Option Scheme	**(4,135,000)**	**15p**	(1,938,334)	–
Lapsed during the year under the TUOS	**(1,080,406)**	**15p**	–	–
Waived during the year under the EMI Option Schemes	**(1,515,000)**	**22p**	–	–
Waived during the year under the TUOS	**(200,000)**	**89p**	–	–
Outstanding at 31 March 2023	**15,348,170**	**1p**	7,838,740	19p
Exercisable at 31 March 2023	**908,334**	**24p**	7,472,073	19p

The following table lists the inputs to the model used for the year ended 31 March 2023. There were no share options granted in the year ended 31 March 2022.

	EMI Option Scheme, 2020 EMI Scheme and TUOS scheme
	2023
Dividend yield	**–**
Expected volatility	**46%**
Risk-free interest rate	**4.15%**
Weighted average remaining contractual life	**9.3 years**
Weighted average share price	**11.5p**
Exercise price	**11.5p**
Model used	**Black-Scholes**

The expected volatility is based on the nine months from the date of disposal of the CD4 business to 31 March 2023, which reflects the volatility of a stand alone Health and Nutrition business.

Directors' remuneration

Consolidated	2023 £'000	2022 £'000
Fees	**93**	136
Emoluments	**686**	786
	779	922
Contributions to personal pension	**19**	22
	798	944
Members of a defined contribution pension scheme at the year end	**2**	2

Information in respect of individual Directors' emoluments, including highest paid Director, is provided in the Directors' Remuneration Report.

7 Discontinued operations

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

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

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

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

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

Adjusted loss before taxation

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

Earnings per share

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

Cash flows

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

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

7 Discontinued operations continued

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

	Held for sale £'000
CD4 assets	
Intangible assets	3,784
Property, plant and equipment	395
Right of use assets	9
Inventories	664
CD4 assets held for sale	4,852
Non-CD4 assets	
Intangible assets	–
Property, plant and equipment	143
Non-CD4 assets held for sale	143
Total assets held for sale	4,995
CD4 liabilities	
Lease liabilities	(10)
Non-CD4 liabilities	
Borrowings	(465)
Total liabilities directly associated with the assets held for sale	(475)
Net assets directly associated with the disposal group	4,520

The assets held for sale are stated net of the cost of disposal.

Total liabilities directly associated with the assets held for sale at 31 March 2023 were £355,000 (2022: £475,000).

Exceptional items summary

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

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

8 Earnings per share

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

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

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

8 Earnings per share continued

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

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

Adjusted earnings per share on profit for the year

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

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

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

Adjusted loss for the year – continuing operations

The reported numbers are non-GAAP measures.

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

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

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

9 Intangibles

	Goodwill £'000	Licences/ software £'000	Technology assets £'000	Customer relationships £'000	Development costs £'000	Total £'000
Cost						
At 31 March 2021	3,017	1,633	1,975	100	14,337	21,062
Additions	–	–	–	–	–	–
Additions – internally generated	–	–	–	–	581	581
Currency translation	–	1	–	–	–	1
Reclassified as assets held for sale	–	–	–	–	(5,706)	(5,706)
Disposals	–	–	–	–	(31)	(31)
At 31 March 2022	3,017	1,634	1,975	100	9,181	15,907
Additions	–	50	–	–	66	116
Additions – internally generated	–	–	–	–	12	12
Reallocated from property, plant and equipment	–	42	–	–	–	42
At 31 March 2023	**3,017**	**1,726**	**1,975**	**100**	**9,259**	**16,077**
Accumulated amortisation						
At 31 March 2021	–	1,597	1,341	100	8,132	11,170
Amortisation charge in the year	–	6	99	–	513	618
Impairment charge	–	16	–	–	–	16
Reclassified as assets held for sale	–	–	–	–	(642)	(642)
At 31 March 2022	–	1,619	1,440	100	8,003	11,162
Amortisation charge in the year	–	10	99	–	263	372
Impairment charge	–	15	–	–	–	15
Reallocated from property, plant and equipment	–	4	–	–	–	4
Currency translation	–	(1)	–	–	–	(1)
At 31 March 2023	**–**	**1,647**	**1,539**	**100**	**8,266**	**11,552**
Net book value						
At 31 March 2023	**3,017**	**79**	**436**	**–**	**993**	**4,525**
At 31 March 2022	3,017	15	535	–	1,178	4,745
At 31 March 2021	3,017	36	634	–	6,205	9,892

The net book value of goodwill at 31 March 2023 all relates to the Health and Nutrition segment.

The development costs brought forward, all relate to Health and Nutrition projects, £752,000 of which has a further amortisation period of 33 months. The development costs of £241,000 relate to the project developing the digital platform which has not been launched and is therefore not being amortised.

The technology assets costs of £1,975,000 comprise the microarray, macroarray and microplate. The remaining amortisation period for these assets is 53 months.

None of the additions (2022: £71,000) internally generated in the year relates to capitalised depreciation on assets utilised for development activities.

Impairment testing of goodwill and intangibles

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

The recoverable amount of the Health and Nutrition CGU has been determined based on a value in use calculation using cash flow projections for the years ending 31 March 2024 to 31 March 2028 based on an organic sales growth rate of 18% for the year ending 31 March 2024 based in part on the order book of £2.4 million as at 1 April 2023, which is £1.0 million higher than the prior year, 11% for the year ending 31 March 2025 and 5% thereafter, forecast margin of between 63-68% based on an improved production yield, and cost inflation of 5% per annum.

A pre-tax discount rate of 13.6% (2022: 10.8%) has been used in the calculation of future cash flow projections, which takes account of other risks such as currency risk, geographical risk and price risk perspective. In order to calculate the terminal value, a perpetuity growth rate of 2% (2022: 2%) has been applied.

9 Intangibles continued

Impairment testing of goodwill and intangibles continued

The key assumptions used in the forecasts are the product revenues and margins which are predicated on the continued success of FoodPrint® and Food Detective®, both having a strong track record of historical performance. Following the classification of the Global Health CGU as a discontinued operation in 2022, 100% (2022: 100%) of the corporate costs have been allocated to the Health and Nutrition CGU when assessing the value in use.

The Group has conducted a detailed sensitivity analysis as part of its impairment testing to ensure that the results of its testing are reasonable. The base case model indicated headroom of £1,241,000. The discount rate for the CGU would need to increase by approximately 160 basis points, or the perpetuity growth rate would need to fall by 250 basis points before the recoverable amount would equal the carrying value. An increase of 200 basis points in the discount rate would require an £312,000 impairment in the carrying value of goodwill as at 31 March 2023. A reduction of 2% per annum in the future revenue growth rate would require an impairment of £706,000 or a reduction of 2% in the forecast gross margin percentage would require an impairment of £351,000.

10 Property, plant and equipment

Consolidated	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 31 March 2021	1,409	5,411	6,820
Additions	394	574	968
Disposals	(1,107)	(1,378)	(2,485)
Reclassified as assets held for sale	–	(2,147)	(2,147)
Currency translation	–	1	1
At 31 March 2022	696	2,461	3,157
Additions	–	25	25
Reallocated to intangible assets	–	(42)	(42)
Currency translation	–	1	1
At 31 March 2023	**696**	**2,445**	**3,141**
Accumulated depreciation			
At 31 March 2021	679	3,063	3,742
Charge in the year	91	415	506
Disposals	(286)	(970)	(1,256)
Reclassified as assets held for sale	–	(974)	(974)
Currency translation	–	1	1
At 31 March 2022	484	1,535	2,019
Charge in the year	–	134	134
Impairment to fair value	210	216	426
Reallocated to intangible assets	–	(4)	(4)
Currency translation	–	(1)	(1)
At 31 March 2023	**694**	**1,880**	**2,574**
Net book value			
At 31 March 2023	**2**	**565**	**567**
At 31 March 2022	212	926	1,138
At 31 March 2021	730	2,348	3,078

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

The impairments of leasehold improvements and plant and machinery include £210,000 and £189,000 respectively which relate to expenditure previously capitalised in respect of the proposed new Ely manufacturing facility. As the Group is now highly unlikely to enter into a lease for this property, all assets associated with the new site have been fully impaired and these impairments are included within the exceptional aborted relocation costs of £524,000 (2022: £nil).

None of the annual depreciation charge (2022: £71,000) relates to assets utilised for development activities; therefore, this depreciation has been capitalised and included within intangible assets.

10 Property, plant and equipment continued

Leases

Right of use assets

Consolidated	Land and property £'000	Plant and machinery £'000	Total £'000
At 31 March 2022	104	2	106
Depreciation	(83)	(2)	(85)
At 31 March 2023	**21**	**–**	**21**

Lease liabilities

Consolidated	Land and property £'000	Plant and machinery £'000	Total £'000
At 31 March 2022	114	1	115
Interest expense	9	–	9
Lease payments	(100)	(1)	(101)
At 31 March 2023	**23**	**–**	**23**

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

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

Consolidated	**2023 £'000**	2022 £'000
Within one year	**23**	92
More than one year	**–**	23
Total	**23**	115

11 Deferred taxation

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

	Consolidated balance sheet	
	2023 £'000	2022 £'000
Temporary differences	**2**	1
Tax losses carried forward	**1,477**	2,753
	1,479	2,754
The deferred tax liability is made up as follows:		
Fair value adjustments on acquisition	**80**	102
Accelerated capital allowances	**402**	417
Capitalised research and development	**–**	1,128
	482	1,647
Net deferred tax asset/P&L tax	**997**	1,107

A deferred tax asset has been recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. The result of this review is to write-off some of the deferred tax asset previously recognised and take a charge to the profit and loss account in the amount of £102,000.

11 Deferred taxation continued

This judgement is based on a review of the risk-adjusted forecast model, considering the forecast taxable profits for an appropriate period.

The deferred tax asset at 31 March 2023 will be offset against future profits. Deferred tax assets not recognised as recoverable amount to £4,987,000 (2022: £2,938,000), which includes £1,474,000 (2022: £1,479,000) in relation to the Company.

No deferred tax asset has been recognised in relation to losses based on the forecast profitability of the Company.

12 Investments

Company

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

	Country of incorporation	2023 £'000	2022 £'000
Investment in Omega Diagnostics Limited[1]	UK	**2,792**	2,791
Investment in Genesis Diagnostics Limited[2]	UK	**–**	–
Investment in Cambridge Nutritional Sciences Limited[2]	UK	**–**	–
Investment in Omega (South West) Limited[3]	UK	**–**	–
Investment in Bealaw (692) Limited[3]	UK	**–**	–
Investment in Bealaw (693) Limited[3]	UK	**–**	–
Investment in Omega Dx (Asia) Pvt Limited[4]	India	**309**	309
		3,101	3,100

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 £1,000 (2022: £124,000) to the investment in Omega Diagnostics Limited relate to capital contributions provided by the Company to subsidiary undertakings in relation to share-based payments as detailed in the equity-settled share-based payments note.

(1) Registered office address – 9 Haymarket Square, Edinburgh EH3 8FY
(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.

The carrying value of investments has been tested for impairment applying the value in use model assumptions disclosed in Note 9, adjusted for the fair value of the intercompany receivable. The fair value of the intercompany receivable was arrived at by discounting at 13.6% per annum over the 14 year repayment period.

13 Inventories

	2023 £'000	2022 £'000
Raw materials	**482**	325
Work in progress	**160**	488
Finished goods and goods for resale	**135**	281
	777	1,094

The write-down of inventories to net realisable value amounted to £104,000 (2022: £nil).

14 Trade and other receivables

Consolidated	2023 £'000	2022 £'000
Trade receivables	**2,033**	2,601
Less provision for impairment of receivables	**(126)**	(190)
Trade receivables – net	**1,907**	2,411
Prepayments	**74**	201
Other receivables	**422**	433
	2,403	3,045

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.

14 Trade and other receivables continued

Analysis of trade receivables

Consolidated	2023 £'000	2022 £'000
Neither impaired nor past due	**1,847**	1,579
Past due but not impaired	**60**	832
	1,907	2,411

Ageing of past due but not impaired trade receivables

	2023 £'000	2022 £'000
Up to three months	**60**	364
Between three and six months	**–**	4
More than six months	**–**	464
	60	832

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

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

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

Company	2023 £'000	2022 £'000
Prepayments	**71**	60
Other receivables	**14**	13
Intercompany receivables	**–**	16,825
	85	16,898

The intercompany receivable of £19,067,000 due from Omega Diagnostics Limited at 31 March 2023 is stated net of an expected credit loss of £200,000 (2022: £200,000). This is determined by applying the probability of default to the receivables due from subsidiaries. These amounts are repayable on demand, but the expectation is that a proportion will be repaid in more than one year and as such the balance has been presented within non-current assets. The balance is expected to be recovered in full over a period of 14 years.

15 Cash and cash equivalents

	2023 £'000	2022 £'000
Cash and cash equivalents	**5,115**	1,605

Company	2023 £'000	2022 £'000
Cash and cash equivalents	**717**	1,045

16 Capital and reserves

	2023 Number of shares	2022 Number of shares
Authorised share capital		
Ordinary shares of 4.0 pence each	**323,278,493**	323,278,493
Deferred shares of 0.9 pence each	**123,245,615**	123,245,615

Company	Number of shares	£'000
Issued and fully paid ordinary capital		
At 1 April 2021	182,255,306	7,290
Issued during the year	427,098	17
At 31 March 2022	182,682,404	7,307
Issued during the year	55,002,776	2,200
At 31 March 2023	**237,685,180**	**9,507**
Issued and fully paid non-participating deferred share capital		
At the beginning and end of the year	123,245,615	1,109

16 Capital and reserves continued

The deferred shares do not confer any voting rights. The holders of deferred shares have a first entitlement to a dividend of 0.000001p per share but thereafter are not entitled to any participation in the profits or assets of the Company. The deferred shares do not confer any rights as respect capital to participate in a distribution (including on winding up). The deferred shares are not redeemable.

17 Interest-bearing loans and borrowings and financial instruments

Consolidated	2023 £'000	2022 £'000
Current		
Obligations under asset finance loan arrangements	32	204
	32	204
Non-current		
Obligations under asset finance loan arrangements	19	51
	19	51

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:

	2023		2022	
	Asset finance and hire purchase £'000	Lease liabilities £'000	Asset finance and hire purchase £'000	Lease liabilities £'000
Future minimum payments due:				
Not later than one year	34	25	222	99
After one year but not more than five years	19	–	53	26
After five years	–	–	–	–
	53	25	275	125
Less finance charges allocated to future periods	(2)	(2)	(20)	(10)
Present value of minimum principal payments	51	23	255	115
The present value of minimum lease payments is analysed as follows:				
Not later than one year	32	23	204	92
After one year but not more than five years	19	–	51	23
After five years	–	–	–	–
	51	23	255	115

Changes in liabilities	2023 £'000	2022 £'000
Opening lease, hire purchase and asset finance obligations	370	2,843
New leases	–	64
Right of use asset lease repayments	(101)	(336)
Right of use asset lease interest	9	144
Hire purchase and asset finance repayments	(207)	(232)
Hire purchase and asset finance interest	3	34
Disposals	–	(1,672)
Liabilities directly associated with assets held for sale	–	(475)
Closing lease, hire purchase and asset finance obligations	74	370

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

18 Deferred income

Consolidated	2023 £'000	2022 £'000
Deferred income	2,500	2,500

Under the contract dated 12 February 2021, the Company has received £2,500,000 (2022: £2,500,000) of advance funding from DHSC as a contribution to the preparedness of the Alva site for COVID-19 lateral flow test production. This prepayment was due to be recovered by DHSC based upon production volumes under the contract. The contract did not progress to phase II (manufacturing) and as such there is no agreed mechanism for repayment.

18 Deferred income continued

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

19 Trade and other payables

Consolidated	2023 £'000	2022 £'000
Trade payables	853	448
Social security costs	158	193
Accruals and other payables	514	2,033
	1,525	2,674

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 £54,000 (2022: £62,000) relating to customer advance payments.

Company	2023 £'000	2022 £'000
Trade payables	83	44
Accruals and other payables	209	353
	292	397

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.

20 Commitments and contingencies

Future lease contractual commitments

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

Performance bonds

The Group has performance bonds and guarantees in place amounting to £60,000 at 31 March 2023 (2022: £60,000).

21 Related party transactions

Remuneration of key personnel

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

Consolidated	2023 £'000	2022 £'000
Short-term employee benefits	878	987
Share-based payments	77	160
Post-employment benefits	19	22
	974	1,169

Included within short-term employee benefits are £Nil (2022: £37,000) paid to Third Day Advisors LLC, a company controlled by William Rhodes. Following Colin King's resignation on 18 January 2022 he took up a position working for Accubio Limited, the purchaser of the Group's Alva site and CD4 business.

Other related party transactions

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

Company	2023 £'000	2022 £'000
Balance at 1 April 2022	16,825	12,830
Charges to subsidiary companies	1,385	1,377
Charges from subsidiary companies	(543)	(632)
Transfers of cash to subsidiary companies	5,097	18,429
Transfers of cash from subsidiary companies	(3,697)	(14,979)
Less provision for impairment of receivables	–	(200)
Balance at 31 March 2023	19,067	16,825

22 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.

23 Financial instruments

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

Consolidated	**2023 £'000**	2022 £'000
Trade receivables at amortised cost	**1,907**	2,411
Sundry debtors at fair value through the Statement of Comprehensive Income	**148**	–

Company	**2023 £'000**	2022 £'000
Due from subsidiary companies at amortised cost	**19,067**	16,825

Amounts due by the Company from subsidiary companies are repayable on demand, but the expectation is that a proportion will be repaid in more than one year, and are not subject to interest.

Consolidated	**2023 £'000**	2022 £'000
Trade payables	**853**	448
Obligations under leases and asset finance loan arrangements	**74**	370
	927	818

Company	**2023 £'000**	2022 £'000
Trade payables	**83**	44

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 2023 and 31 March 2022 the Group had not entered into any hedge transactions.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group conducts its operations in many countries, so there is no concentration of risk in any one area. In most cases, the Group grants credit without security to its customers. Creditworthiness checks are undertaken before entering into contracts with new customers, and credit limits are set as appropriate. The Group conducts most of its operations through distributors and is therefore able to maintain a close relationship with its immediate customers. As such, the Group monitors payment profiles of customers on a regular basis and is able to spot deteriorations in payment times. An allowance for impairment is made that represents the potential loss in respect of individual receivables where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2023 and 31 March 2022 represents the Group's maximum exposure to credit risk. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An analysis of ageing of past due but not impaired trade receivables can be seen in Note 14.

23 Financial instruments continued

Financial risk management continued

Customer concentration risk

The Group's largest single customer accounts for 11% of revenue (2022: 9%).

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

	2023 Trade receivables £'000	2022 Trade receivables £'000
UK/Europe	**801**	1,240
North America	**180**	585
South/Central America	**80**	113
Asia and the Far East	**792**	399
Africa and the Middle East	**180**	74
	2,033	2,411

Impairment losses

	2023 Trade receivables ECL £'000	2022 Trade Receivables ECL £'000
Balance at start of period	**(190)**	–
Impairment recognised	**(86)**	(190)
Impairment released	**150**	–
Balance at end of period	**(126)**	(190)

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

Capital management

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

Liquidity risk

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

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

Consolidated	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
2023					
Trade payables	853	–	–	–	853
Obligations under asset finance loan arrangements	8	25	20	–	53
Obligations under leases	25	–	–	–	25
Bank overdraft	–	–	–	–	–
	886	**25**	**20**	**–**	**931**
2022					
Trade payables	448	–	–	–	448
Obligations under asset finance loan arrangements	21	201	53	–	275
Obligations under leases	25	75	25	–	125
Bank overdraft	–	–	–	–	–
	494	276	78	–	848

23 Financial instruments continued

Financial risk management continued

Liquidity risk continued

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2023 based on the undiscounted cash flows of liabilities based on the earliest date on which the Company can be required to pay.

Company	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Total £'000
2023				
Trade payables	**83**	**–**	**–**	**83**
2022				
Trade payables	44	–	–	44

Interest rate risk

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

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

Consolidated	Change in basis points	Effect on profit before tax and equity £'000
2023		
Cash and cash equivalents	**25**	**8**
2022		
Cash and cash equivalents	25	9

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

Company	Change in basis points	Effect on profit before tax and equity £'000
2023		
Cash and cash equivalents	**25**	**2**
2022		
Cash and cash equivalents	25	8

Fair values

All financial assets and liabilities, with the exception of assets held for sale, are classified as level 2 given they are short term and therefore the current value is an approximate for fair value. The carrying amount for all categories of financial assets and liabilities disclosed on the balance sheet and in the related notes to the accounts is equal to the fair value of such assets and liabilities as at both 31 March 2023 and 31 March 2022. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the accounts.

The fair value has been determined on the basis of negotiations with potential buyers at the balance sheet date and, since there were no material changes to the fair value of the segment disposed of between 31 March 2022 and 31 July 2022, the consideration agreed has been determined to be representative of the fair value at the balance sheet date.

(Incorporated in England & Waled, registered number 5017761)

Notice is hereby given that an Annual General Meeting of Omega Diagnostics Group PLC (**the Company**) will be held at Poets House, St Mary's Street, Ely CB7 4EY at 11.00am (UK time) on 6 September 2023 for the following purposes:

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

1. To receive and adopt the Company's accounts for the financial year ended 31 March 2023, together with the Directors' Report and the Auditor's Report on those accounts.
2. To re-elect Jag Grewal, who retires by rotation at the Annual General Meeting, as a Director of the Company.
3. To re-appoint RSM UK Audit LLP as auditor of the Company.
4. To authorise the Directors to fix the Auditor's remuneration.
5. That:

(a) the Directors be generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company:

(1) up to a maximum nominal amount of £3,169,135.00 (or £129,882.00 in the event that Resolution 8 set out in the notice of Annual General Meeting dated 3 August 2023 is passed and becomes effective) (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (a)(2) below in excess of such sum); and

(2) comprising equity securities (within the meaning of section 560(1) of the Companies Act 2006 (**the Act**)) up to a maximum nominal amount of £6,338,271.00 (or £259,765.00 in the event that Resolution 8 set out in the notice of Annual General Meeting dated 3 August 2023 is passed and becomes effective) (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (a)(1) above) in connection with a Pre-Emptive Offer;

(b) the authorities given in this Resolution:

(1) are given pursuant to section 551 of the Act and shall be in substitution for all pre-existing authorities under that section; and

(2) unless renewed, revoked or varied in accordance with the Act, shall expire on 30 September 2024, or, if earlier, at the end of the next Annual General Meeting of the Company to be held in 2024, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry; and

(c) for the purpose of this Resolution, "Pre-Emptive Offer" means an offer of equity securities to:

(1) holders of ordinary shares (other than the Company) on a fixed record date in proportion to their respective holdings of such shares; and

(2) other persons entitled to participate in such offer by virtue of, and in accordance with, the rights attaching to any other equity securities held by them;

in each case, subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractional entitlements, legal, regulatory or practical problems under the laws or the requirements of any regulatory body or stock exchange of any territory or otherwise.

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

6. That:

(a) subject to the passing of Resolution 5 set out in the notice of Annual General Meeting dated 3 August 2023 (**the Allotment Authority**), the Directors be given power pursuant to section 570 of the Companies Act 2006 (**the Act**) to allot equity securities (within the meaning of section 560(1) of the Act) for cash, pursuant to the Allotment Authority, and to sell treasury shares wholly for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities or the sale of treasury shares:

(1) in the case of paragraph (a)(1) of the Allotment Authority:

(a) in connection with a Pre-Emptive Offer (as defined in the Allotment Authority);

(b) otherwise than in connection with a Pre-Emptive Offer, up to a maximum nominal amount of £950,740.00 (or £38,964.79 in the event that Resolution 8 set out in the notice of Annual General Meeting dated 4 August 2023 is passed and becomes effective); and

(c) otherwise than in connection with a Pre-Emptive Offer or under paragraph 1(b) above of this Resolution 6, up to a nominal amount equal to 20% of any allotment of equity securities (or sale of treasury shares) from time to time under paragraph 1(b) of this Resolution 6, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

(2) in the case of paragraph (a)(2) of the Allotment Authority, in connection with a Pre-Emptive Offer; and

(b) the power given in this Resolution:

(1) shall be in substitution for all pre-existing powers under section 570 of the Act; and

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

(2) unless renewed in accordance with the Act, shall expire at the same time as the Allotment Authority, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry.

7. That:

(a) subject to the passing of Resolution 5 set out in the notice of Annual General Meeting dated 3 August 2023 (**the Allotment Authority**), the Directors be given power pursuant to section 570 of the Companies Act 2006 (the Act), in addition to any authority granted under Resolution 6, to allot equity securities (within the meaning of section 560(1) of the Act) for cash, pursuant to the Allotment Authority, and to sell treasury shares wholly for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities or the sale of treasury shares:

(1) up to a maximum nominal amount of £950,740.00 (or £38,964.79 in the event that Resolution 8 set out in the notice of Annual General Meeting dated 3 August 2023 is passed and becomes effective) used only for the purposes of financing (or refinancing, if the authority is to be used within twelve months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(2) otherwise than under paragraph (1) above of this Resolution 7, up to a nominal amount equal to 20% of any allotment of equity securities (or sale of treasury shares) from time to time under paragraph (1) above of this Resolution 7 above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(b) the power given in this Resolution shall expire at the same time as the Allotment Authority, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities and sell treasury shares under any such offer or agreement as if the power conferred by this resolution had not expired.

8. That, subject to and conditional on the admission of the New Ordinary Shares (as defined in this Resolution 8) to trading on AIM, a market operated by the London Stock Exchange plc, becoming effective at 8.00am on 7 September 2023 (or such later time and / or date as the Directors may in their absolute discretion determine) (**Admission**):

(a) every 61 ordinary shares of 4 pence each in the capital of the Company (the **Existing Ordinary Shares**) in issue as at 6.00pm on 6 September 2023 be consolidated into an intermediate share of £2.44 each in the capital of the Company (an **Intermediate Share**), provided that where such consolidation results in any member being otherwise entitled to a fraction of an Intermediate Share such fraction shall be consolidated with any fractions of an Intermediate Share to which the other members would also otherwise be entitled; and

(b) each Intermediate Share resulting from paragraph (a) of this Resolution be sub-divided and reclassified into:

(1) one ordinary share of 10 pence each in the capital of the Company (a **New Ordinary Share**), such New Ordinary Shares having the same rights and being subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares, as set out in the Articles of Association of the Company; and

(2) 260 deferred shares of 0.9 pence each in the capital of the Company, having the same rights and being subject to the same restrictions as the existing deferred shares, as set out in the Articles of Association of the Company,

provided further that, notwithstanding the provisions of article 40 of the Articles of Association of the Company:

(3) the Directors be authorised to sell (or to appoint any other person to sell), on behalf of the relevant members, any New Ordinary Shares resulting from the sub-division and reclassification of any Intermediate Shares representing fractions at the best price reasonably obtainable, with the proceeds of sale (net of expenses) being retained by the Company for its use, and that any Director (or any person appointed by the Directors) be authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant members and to do all acts and things the Directors consider necessary or desirable to effect the transfer of such shares; and

(4) any deferred shares of 0.9 pence each in the capital of the Company resulting from the sub-division and reclassification of any Intermediate Shares representing fractions shall, immediately upon their creation, vest in and be registered in the name of such person or persons as shall be nominated by the Directors.

9. That the name of the Company be changed to Cambridge Nutritional Sciences PLC.

By order of the Board

Chris Lea
Chief Financial Officer and Company Secretary
3 August 2023

Registered Office: 1 Fleet Place, London EC4M 7WS

General

The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 5 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 6 to 10 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Annual report and accounts

The Directors must lay the Company's accounts, the Directors' Report and the auditor's Report before the shareholders in a general meeting. This is a legal requirement after the Directors have approved the accounts and the Directors' Report, and the auditor have prepared its report.

Resolution 2 – Re-election of Jag Grewal

In accordance with the Company's Articles of Association, a proportion of the Directors must retire by rotation at the Annual General Meeting each year. Jag Grewal is required to retire this year. Being eligible, he offers himself for re-election. Biographical details of Jag Grewal are set out on page 31 of the Annual Report and accounts.

Resolutions 3 and 4 – Re-appointment and remuneration of auditor

The Company is required to appoint an auditor for each financial year of the Company. Resolution 3 proposes the re-appointment of RSM UK Audit LLP as the Company's auditor for the current financial year of the Company ending 31 March 2024. Resolution 4 seeks authority for the Directors to decide the auditor's remuneration.

Resolution 5 – Authority to allot shares

The purpose of this resolution is to grant the Directors power to allot shares. Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares (other than for employee share schemes) without shareholder approval. The Directors currently have authority to allot relevant securities up to a maximum amount of £3,169,135.73. This resolution proposes that a similar authority be granted in substitution of the existing authority to allot securities up to a maximum amount of £3,169,135.00 (or £129,882.00 in the event that Resolution 8 is passed and becomes effective) (as reduced by the aggregate nominal amount allotted or granted under paragraph (a)(2) of this resolution in excess of such sum), representing (before any such reduction) approximately one third of the Company's total issued ordinary share capital (excluding treasury shares) as at 2 August 2023, being the latest practicable date prior to publication of this document (or as it is expect to be of resolution 8 is passed and becomes effective).

In addition, the Company is seeking additional authority to allot securities in connection with a pre-emptive offer up to a maximum amount of £6,338,271.00 (or £259,765.00 in the event that Resolution 8 is passed and becomes effective) (as reduced by the aggregate nominal amount allotted or granted under paragraph (a)(1) of this resolution), representing (before any such reduction) approximately two thirds of the Company's total issued ordinary share capital (excluding treasury shares) as at 2 August 2023, being the latest practicable date prior to publication of this document (or as it is expect to be of resolution 8 is passed and becomes effective). The benefit to the Company of obtaining such authority on an annual basis is that it would allow the Company to implement a rights issue of an amount equal to two thirds of the issued Ordinary Share capital without the need to call an additional general meeting. This would shorten the implementation timetable of such a rights issue. This is in accordance with best practice guidance issued by the Investment Association.

The Directors have no present intention of exercising this authority. The authority will expire at the end of the 2024 Annual General Meeting or, if earlier, on 30 September 2024, unless previously cancelled or varied by the Company in general meeting. It is the intention of the Directors to renew this authority annually at each Annual General Meeting.

As at 2 August 2023, the Company did not hold any shares in treasury.

Resolutions 6 and 7 – Disapplication of pre-emption rights

Section 561(1) of the Companies Act 2006 provides that if the Directors wish to allot any equity securities, or sell any treasury shares (if it holds any), for cash, it must first offer them to existing shareholders in proportion to their existing shareholdings. Section 561 does not apply in connection with an employee share scheme. The purpose of these two resolutions is to allow the Directors to allot equity securities or sell any treasury shares for cash as if section 561(1) of the Companies Act 2006 does not apply, in connection with rights issues, open offers and other pre-emption offers pursuant to the authority granted by Resolution 5, and otherwise up to a total amount of £2,281,777.73 (in aggregate) representing approximately 24% of the Company's total issued Ordinary Share capital as at 2 August 2023 (being the latest practicable date prior to publication of this document) (or £93,515.50 in the event that resolution 8 is passed and becomes effective).

In accordance with the Pre-Emption Group's Statement of Principles issued in November 2022, two separate resolutions are being proposed in connection with the disapplication of pre-emption rights:

- the first, resolution 6, is being proposed to disapply pre-emption rights on up to approximately 10% of the Company's total issued ordinary share capital, with a further disapplication for 2% of the Company's total issued ordinary share capital to be used only for the purposes of a follow-on offer; and
- the second, Resolution 7, is being proposed to disapply pre-emption rights for a further 10% of the Company's total issued ordinary share capital for transactions which the Board determines to be an acquisition or specified capital investment as defined by the Pre-Emption Group's Statement of Principles, with a further disapplication for 2% of the Company's total issued ordinary share capital to be used only for the purposes of a follow-on offer.

In accordance with the Pre-Emption Group's Statement of Principles, the Directors confirm that, to the extent that the authority in Resolution 7 is used for an issue of shares, the Directors intend that such authority will be used only in connection with an acquisition or specified capital investment that is announced contemporaneously with the issue, or that has taken place in the preceding twelve-month period and is disclosed in the announcement of the issue.

Resolutions 6 and 7 – Disapplication of pre-emption rights continued

The Pre-Emption Group's Statement of Principles provide that it may be appropriate for a follow-on offer to made to retail investors and other existing investors not allocated shares as part of a placing. Resolutions 6 and 7 each provide authority to disapply pre-emption rights for 2% of the Company's ordinary issued share capital for the purposes of the Company making a follow-on offer. The Company intends to comply with the expected features of any follow-on offer as set out in the Pre-Emption Group's Statement of Principles.

The authority will expire at the end of the 2024 Annual General Meeting or, if earlier, on 30 September 2024, unless previously cancelled or varied by the Company in general meeting. It is the intention of the Directors to renew this authority annually at each Annual General Meeting.

Resolution 8 – Consolidation of share capital

As at 2 August 2023, being the latest practicable date prior to publication of this document, the issued share capital of the Company comprised 237,685,180 ordinary shares of 4 pence each and 123,245,615 deferred shares of 0.9 pence each. The middle market share price (on AIM) of an ordinary share as at the close of business on 2 August 2023 was 2.5 pence, implying a market capitalisation of the Company of approximately £5.94 million. The Directors consider that this number of existing ordinary shares is excessive for a Company of Omega Diagnostics' market capitalisation. In addition, that price per share is less than the nominal value of an ordinary share (being 4 pence). The Companies Act 2006 provides that a company may not issue shares at a discount to nominal value. Accordingly, given the discount, the Company is not presently practicably able to raise further equity investment. Whilst the Directors have no current intention to seek to do so, it would be preferable for the Company to be in a position to raise equity investment in the future if that was considered to be in the best interests of the Company at that time.

Resolution 8 seeks to address both these points by consolidating the ordinary share capital and by converting part of the nominal capital of the Company into deferred share capital. The proposed consolidation is on a 61 for 1 basis - meaning that for every 61 existing ordinary shares of 4 pence each in the capital of the Company held, a shareholder will receive one new ordinary share of 10 pence. The conversion of part of the nominal capital of the Company into deferred share capital is proposed to be achieved by converting the balance of the nominal capital remaining after the creation of the new ordinary shares of 10 pence each into deferred shares of 0.9 pence in the capital of the Company. Put another way, for every 61 existing ordinary shares of 4 pence each held, a shareholder will receive one new ordinary share of 10 pence and 260 deferred shares of 0.9 pence in the capital of the Company.

If resolution 8 is passed and becomes effective, then (assuming that no further existing ordinary shares of 4 pence each are issued between 2 August 2023, being the latest practicable date prior to publication of this document, and the time at which such resolution becomes effective) it is expected that the number of ordinary shares in the capital of the Company will decrease from 237,685,180 existing ordinary shares of 4 pence to 3,896,479 new ordinary shares of 10 pence. Assuming a market capitalisation of the Company of approximately £5.94 million, that would imply a price per share of approximately £1.53 pence (being at a premium to the nominal value of a new ordinary share).

In order that the issued share capital immediately prior to the consolidation is divisible by 61 (being the consolidation factor), it may be necessary for the Company to issue up to 60 existing ordinary shares prior to the record time for the consolidation (being 6.00pm on 6 September 2023). Any shareholder not holding a number of existing ordinary shares that is exactly divisible by 61 will be left with a fractional entitlement to a new ordinary share (and to new deferred shares). Any such fractions resulting from the consolidation will be combined into new ordinary shares, which will be sold with the net proceeds being retained by the Company for its use. Assuming a share price of 2.5 pence, the maximum value of the fractional entitlements which any individual shareholder may lose would be £1.50. Fractional entitlements to deferred shares will be combined and the deferred shares representing such fractions will immediately vest in such person or persons as may be nominated by the Directors.

The rights and restrictions attaching to the new ordinary shares will be identical in all respects (save as to nominal value) to those of the existing ordinary shares. The rights and restrictions attaching to the new deferred shares resulting from the consolidation will be identical in all respects to those of the existing deferred shares.

Application will be made for the new ordinary shares to be admitted to trading on AIM in place of the existing ordinary shares. Subject to shareholder approval of resolution 8, it is expected that admission will become effective and that dealings in the new ordinary shares will commence at 8.00am on 7 September 2023. As is the case with the existing deferred shares in the capital of the Company, no application for admission will be made in respect of the new deferred shares. The ISIN Code for the new ordinary shares will be GB00BNG2WW67 and the SEDOL Code will be BNG2WW6.

Shareholders who hold existing ordinary shares in uncertificated form will have such shares disabled in their CREST accounts at the record time, and their CREST accounts will be credited with the new ordinary shares following admission, which is expected to take place on 7 September 2023. Existing share certificates will cease to be valid following the consolidation. New share certificates in respect of the new ordinary shares are expected to be issued by post at the risk of the shareholders within ten business days of admission. No share certificates will be issued in respect of the new deferred shares.

Following the consolidation, all mandates and other instructions, including communication preferences given to the Company by shareholders and in force at the record time shall, unless and until revoked, be deemed to be valid and effective mandates or instructions in relation to the new ordinary shares.

Resolution 9 – Change of name

Recognising the recent refocusing of the Group's activities on its Health and Nutrition business, the Directors propose that the name of the Company be changed to Cambridge Nutritional Sciences PLC. If the proposed change of name is approved by shareholders, then it is intended that the new London Stock Exchange ticker for the Company will be LON: CNSL.

Appointment of proxy

Any shareholder who is entitled to attend and vote at the Annual General Meeting is entitled appoint one or more proxies (who need not be shareholders) to attend the Annual General Meeting and speak and vote instead of the shareholder. If more than one proxy is appointed each proxy must be appointed to exercise rights attached to different shares. Appointment of a proxy will not preclude a shareholder from attending and voting in person at the Annual General Meeting.

In order for a proxy form to be valid, it must be completed and signed and returned to the Company's registrars, Share Registrars Limited at 3 The Millennium Centre, Crosby Way, Farnham, GU9 7XX so they receive it no later than 11.00am (UK time) on 4 September 2023 (or, if the meeting is adjourned, the time that is 48 hours before the time fixed for the adjourned meeting).

A shareholder wishing to appoint multiple proxies should contact the Shareholder Helpline on 01252 821390 or e-mail enquiries@shareregistrars.uk.com to obtain additional proxy forms. It will be necessary for the shareholder to indicate on each separate proxy form the number of shares in relation to which each proxy is authorised to act.

Electronic appointment of proxy

As an alternative to completing a hard-copy proxy form, shareholders can appoint a proxy online at www.shareregistrars.uk.com (clicking on the "Proxy Vote" button and following the on-screen instructions). For an electronic proxy appointment to be valid, the Registrars must receive the proxy appointment no later than 11.00am (UK time) on 4 September 2023 (or, if the meeting is adjourned, the time that is 48 hours before the time fixed for the adjourned meeting).

Appointment of proxy using CREST

CREST members may appoint a proxy through CREST 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 should refer to their CREST sponsor or voting service provider, 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 Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so that they are received by Share Registrars Limited (ID 7RA36) by 11.00am (UK time) on 4 September 2023 (or, if the meeting is adjourned, the time that is 48 hours before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or procure the taking of) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Changing proxy instructions

To change your proxy instructions simply submit a new proxy appointment using one of the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Shareholder Helpline on 01252 821390 or e-mail enquiries@shareregistrars.uk.com to obtain another proxy form.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Corporate representatives

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

Record date

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 11.00am on 4 September 2023 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Statement of capital and voting rights

As at 2 August 2023 (being the latest practicable date prior to publication of this Notice) the Company's issued share capital consisted of 237,685,180 ordinary shares of 4 pence each and 123,245,615 deferred shares of 0.9 pence each. Each ordinary share carries one vote. The deferred shares do not confer any voting rights. No shares are held in treasury. Accordingly, total voting rights in the Company as at 2 August 2023 were 237,685,180.

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