
Delivering strong results



Omega Diagnostics Group PLC

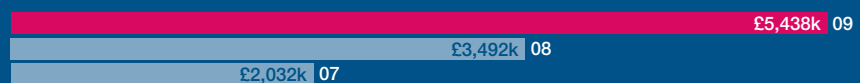
Annual Report and Accounts 2009

Omega Diagnostics Group PLC is an AIM-quoted public company on the London Stock Exchange. Omega sells a wide range of products, primarily in the immunoassay, in-vitro diagnostics (IVD) market, through a strong distribution network in over 100 countries.

Omega operates in a niche market in supplying tests for specific infectious diseases, autoimmune disease and food intolerance.

year on year...

Sales £5.4m +56%



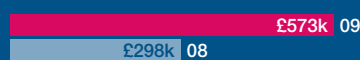
Gross profit £3.3m +76%



Gross profit 61.5%



Operating profit £573k +92%



The Highlights of 2009

- Reported revenue up 56% and 20% like-for-like
- Sales growth in established and new markets
- Operating profits almost doubled in year
- Launch of new colourimetric version of the microarray technology
- Launch of macroarray-based Food Detective™ kit into multiple territories

Strategy

Our business strategy remains unchanged. Omega aims to deliver organic growth from recently acquired products, markets and technologies. Omega will also continue to pursue acquisition opportunities which are earnings enhancing or strategically placed in major growth markets.

Read more on our
Strategy and Growth
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Growth

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Our Strategy

 <p>+56% Growth in sales</p>	 <p>+10% Growth in sales</p>	<p>Omega Diagnostics Ltd Formed in 1987, ODL specialises in infectious diseases, particularly Syphilis, TB and Dengue Fever.</p>	<p>+10% Like-for-like Growth</p>
	 <p>+133% Growth in sales</p>	<p>Genesis Diagnostics Ltd Formed in 1994, Genesis is one of the UK's leading manufacturers of high quality ELISA based diagnostic kits. The Company specialises in the research, development and production of kits to aid the diagnosis of autoimmune and infectious diseases, and for the detection of immune reactions to food.</p>	<p>+32% Like-for-like Growth</p>
	 <p>+94% Growth in sales</p>	<p>Cambridge Nutritional Sciences Ltd Formed in 2001, CNS provides clinical analysis to the general public, clinics and health professionals as well as supplying the consumer Food Detective™ test.</p>	<p>+16% Like-for-like Growth</p>

strategy...

Our Strategy for Growth

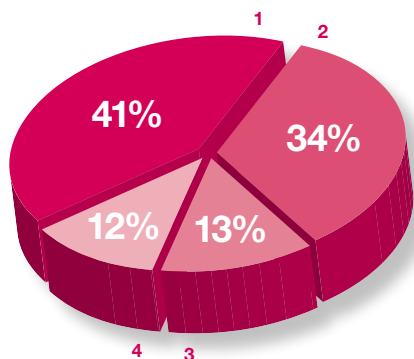
Strategy = Organic Growth + Acquisitions

Strategy

Omega intends to focus development on an autoimmune microarray and other tests within its area of expertise and to actively market these new products through its extensive distribution network.

Product Development + Distribution = Growth

Product Group Breakdown



1 £2,262k
(2008: £964k)
Food intolerance

3 £717k
(2008: £634k)
Other

2 £1,832k
(2008: £1,590k)
Infectious disease

4 £627k
(2008: £303k)
Autoimmune disease

Working

Key Performance Indicators (KPIs)

The following KPIs measure the growth of the business on a full like-for-like basis.

	Our Strategy in action	Key Performance Indicators (sales)	
1 Drive sales growth in key markets	The Group has grown sales in its top three export markets.	Spain	£635,277 09 +22% £521,257 08
		Australia	£437,102 09 +29% £338,797 08
		Italy	£371,478 09 +14% £326,867 08
2 Drive sales growth of microarray and macroarray platforms	The Group has grown sales of its Genarray™ assay following roll-out into new markets.	Genarray™ kit sales (Microarray platform)	£573,598 09 +35% £424,164 08
		Genarray™ instrument sales (Microarray platform)	£146,359 09 +100% 08 (Nil)
		Patient tests	3,151 09 +55% 2,032 08
	The Group has grown sales of its Food Detective™ kit overseas to the professional nutritionist market.	Food Detective™ kit sales (Macroarray platform)	£314,057 09 +45% £216,958 08
		Patient tests	13,392 09 +134% 5,732 08
	The Group has grown sales of its Foodprint™ assay service offering tests on over 200 foods.	Foodprint™ service sales (Microarray platform)	£246,095 09 +37% £179,381 08
		Patient tests	2,331 09 +47% 1,587 08

Global Reach

We have extensive distribution coverage in over 100 countries with new coverage for the professional nutritionist markets.

Where are our future Key Markets?

- Microarray test for food intolerance now being evaluated in 10 countries
- New autoimmune microarray assay under development for release in 2009/2010
- Macroarray tests for food intolerance being sold across Europe into professional nutritionist markets



globally...

£157k +80%
(North America)

£363k -3%
(South/Central America)

Global Sales £5.4m

Global Growth +56%
Headline

+20%
Like-for-like

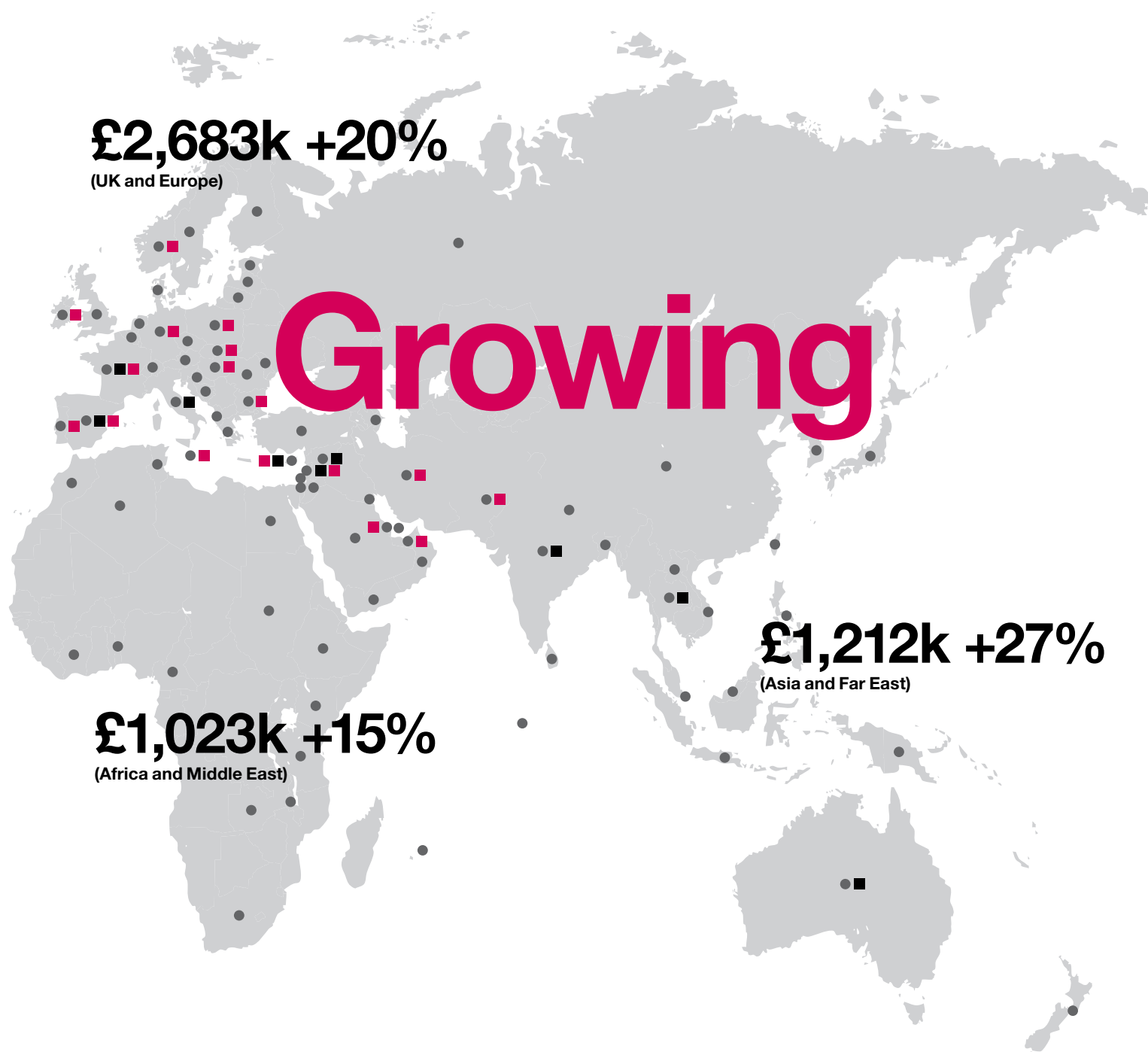
£5,438k 09

£3,492k 08 Headline

£4,543k 08 Like-for-like

Distribution network

- All country distribution
- Microarray distribution
- Macroarray distribution



What is microarray
technology?
page 7

Investing in Technology



technology...



Advancing

Microarrays

The Marathon Inkjet Microarrayer, as used for the production of Genarray™ kits, leverages modern inkjet technology to produce high quality microarrays in high throughput. The piezoelectric print head, when combined with Arrayjet's proprietary JetSpyder™ sampler, enables comparatively low volumes of protein probes to be aspirated into the print head, which then prints microarrays at speed and on-the-fly. The JetSpyder™ and print head are installed in a high precision, scalable robotics platform which is also modular, with upgrades including increased capacity for microtitre plates and microarray slides. The Marathon Inkjet Microarrayer provides much increased capacity for production and development purposes.

Our Key Products

The Group provides high-quality diagnostic products to hospitals, clinics and laboratories in over one hundred countries – promptly delivered and competitively priced.

Infectious Disease

PRODUCT INFORMATION



What are infectious diseases?

Infectious diseases are clinically evident diseases that result from the presence of infectious agents such as microbial agents, including viruses, bacteria, fungi, protozoa, multicellular parasites, and aberrant proteins known as prions.

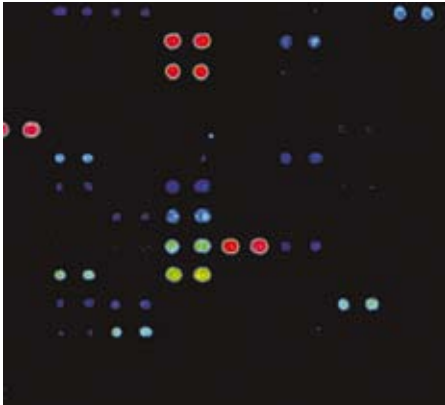
Product information

Brucellosis; Chagas Disease; Chlamydia; Dengue Virus; Hepatitis B; Herpes; Rotavirus; Staphylococcus; Streptococcal Disease; Syphilis; Tuberculosis and Typhoid.

Gastritis and tests for Pseudomonas aeruginosa bacteria, significant in hospital acquired infections.

Food Intolerance

PRODUCT INFORMATION



What is food intolerance?

Food intolerance is an adverse reaction to some sort of food or ingredient that occurs every time the food is eaten, but particularly if larger quantities are consumed. Common offenders include milk products, wheat and other grains that contain gluten.

Product information

Tests patients for reactions to different foods.

Autoimmune Disease

PRODUCT INFORMATION



What are autoimmune diseases?

Autoimmune diseases arise from an overactive immune response of the body against substances and tissues normally present in the body i.e. the body attacks its own cells.

Product information

Anaemia; Celiac Disease; Crohn's Disease; Connective Tissue Diseases; Liver Disease; Microarterial Diseases; Thrombotic Disease; Thyroid Disease; Vasculitis; Renal Disease.

Infectious diseases

- WHO estimates there may be 50 million dengue infections worldwide every year
- It is estimated that 1.6 million deaths resulted from TB in 2005
- It is estimated that 12 million new cases of syphilis occur every year

Autoimmune diseases

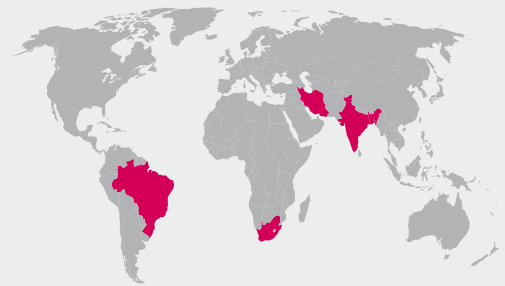
- 80 or more chronic disability diseases
- Affects ~ 5% European/US population
- Total European market for tests worth US\$440m in 2004
- Total European market predicted to reach almost US\$700m by 2011

Food intolerance

- Estimated that around 45% of UK population adversely affected by food
- Cases of food intolerance rising
- Customers are Nutritionists and general public

Our Products across the globe

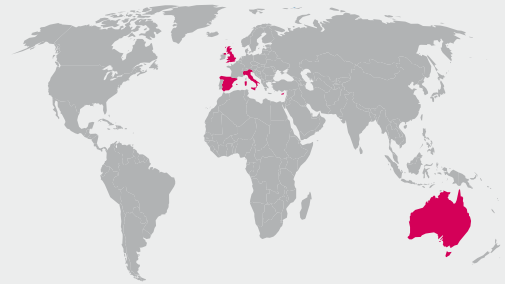
- India • Brazil • Bangladesh
- Iran • South Africa



Total Sales £1,832k

Our Products across the globe

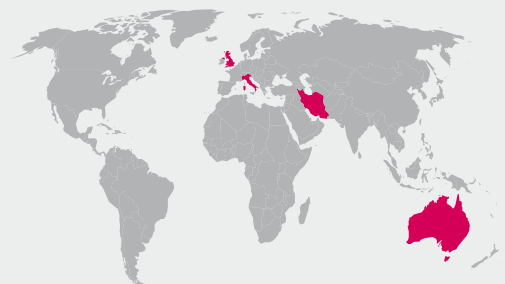
- Italy • Australia • Spain
- UK • Cyprus



Total Sales £2,262k

Our Products across the globe

- Iran • Italy • Australia • UK



Total Sales £627k

Chairman's Statement

Dear Shareholder

I am pleased to report that the Group has made sustained progress in the year with growth in turnover and profitability across the Group.

David Evans

Non-executive Chairman
6 July 2009

Strategy

The acquisition of Genesis Diagnostics ('Genesis') and Cambridge Nutritional Sciences ('CNS') has successfully fulfilled one of our strategic aims of acquiring profitable companies with complementary products that drive growth. Turnover has increased across all group divisions and in most of the regions we sell to around the world. The Group has been able to make good use of its expanded distribution network in achieving the roll-out of the Genarray™ food intolerance assay where systems have been placed in a number of countries for evaluation purposes and there has also been some cross-selling of the established Genesis autoimmune and Omega Diagnostics Limited ('ODL') infectious disease tests into the expanded network. Through its increased sales and marketing resource, new distributors have also been appointed in multiple territories for the Food Detective™ consumer test. Key to continued organic growth will be the delivery of new products utilising the microarray and macroarray platforms and development activity continues with this aim in mind.

A planned acquisition last year had to be aborted as it was not possible to raise sufficient funds in deteriorating financial markets to meet the vendors' price expectations. The Group has incurred an exceptional cost of £80k in relation to this aborted transaction. Whilst this may be seen as disappointing, the Group still believes that acquisition opportunities exist which are capable of being funded and the Board continues to pursue this aspect of its strategy as a viable way of achieving growth for the Group and increasing shareholder value.

Financial

The results for the year include a full twelve months for Genesis and CNS, albeit, the comparatives only include seven months in the prior year to 31 March 2008.

Turnover for the Group increased to £5.4 million (2008: £3.5 million) an increase of 56% reflecting the twelve month contribution from Genesis and CNS. However, it is particularly pleasing to report underlying like-for-like growth in turnover of 20% despite difficult economic conditions.

The Group achieved an EBITDA before exceptional items of £915k (2008: £417k) and operating profit before exceptional items increased to £653k (2008: £298k), again with the benefit of a full year from Genesis and CNS.

In terms of our results as compared to the external market forecast, the Group achieved an adjusted profit before tax of £531k (2008: £82k). This figure is arrived at by taking headline profit before tax of £267k and then adding back analyst-adjusted items including IFRS-related net discount charges of £7k, exceptional costs of £80k, amortisation of intangible assets of £99k and share-based payment charges of £78k. As such, these results are in line with the external market forecast.

Net finance costs have increased to £306k (2008: £175k), mainly as a result of a translation loss on US dollar borrowings, given the weakening of sterling against the US dollar over the course of the year.

Profit after tax amounted to £221k (2008: £238k) which resulted in earnings per share of 1.4p versus earnings per share of 2.4p in the previous year.

Balance sheet

The Group has intangible assets of £4.9 million (2008: £5.1 million) at the year-end comprised of goodwill of £3.1 million and intangible assets of £1.8 million, separately identified in line with current IFRS. The Group has performed an impairment review under current accounting standards and is comfortable with the carrying value of its intangible assets given the growth and results for the year just ended.

Net debt (total borrowings less cash) reduced to £1.64 million from £1.75 million, despite the translation loss on currency borrowings referred to above which amounted to £0.19 million.

Research and development

The Group successfully developed an improved version of the Genarray™ microarray system for food intolerance which allows laboratories to use significantly cheaper instrumentation to interpret results. This has helped the roll-out of this assay for evaluation purposes which I have referred to earlier and where enhanced customer acceptance is expected as a result. The Group will continue to direct a large part of its effort in broadening the range of tests that can be performed on the microarray platform where the immediate priority exists to develop a panel of autoimmune tests. Elsewhere, the Group has expanded its range of control products which is seen as potentially beneficial in times of increasing monitoring of assay performance.

Board and management

As announced during the year, Dr Mike Walker resigned on 11 November 2008 and the Board recorded its thanks to him at that time.

A number of senior management appointments were made, either in the year, or just after to ensure the Group remains sufficiently resourced to achieve its objectives and I would like to thank all employees for their hard work in helping to achieve the results we have reported.

Outlook

Trading in the first three months of the year is in line with current management expectation. As we move forward throughout the year we anticipate additional growth being generated through a combination of organic and acquisitive growth.

Organic growth:

The primary route and level of organic growth is dependent upon the rate of placement of new Genarray™ systems, which itself is dependent upon the upgrading of our manufacturing methods, a process which is ongoing.

Acquisitive growth:

Our propensity to grow through acquisition is dependent upon the availability of finance and suitable opportunities. A number of high quality value enhancing opportunities are currently being evaluated.

I look forward to updating you throughout the year. ■



David Evans, CA
Non-executive Chairman
6 July 2009

Turnover for the Group increased to £5.4 million representing a headline growth of 56% and like-for-like growth of 20%.



Chief Executive's Review

Strategy update

Many companies in our field develop products which have great potential but few take these products onto the global market.

With Omega, the routes to market already existed, having been developed over many years. When we acquired Genesis Diagnostics and Cambridge Nutritional Sciences in September 2007, we completed one of our strategic aims in acquiring profitable companies and growth-generating products complementary to our existing product range. We also knew that we had well developed products but that their commercial success was unfulfilled. Moving from low existing sales to full global product launch has been the main effort throughout the year.

During the year, due to the turmoil in worldwide financial markets, we were unable to complete on a major acquisition of another company in our field. Although the costs involved for the aborted acquisition were reduced through indemnity cover it is unfortunate that we were unable to deliver on this part of our strategy. This made it even more important that we concentrated on delivering the growth in both turnover and profit margin that you see reported in these results.

However, we still believe that viable acquisition opportunities exist and we are still pursuing this strategy in order to build critical mass and increase shareholder value.

When we acquired Genesis Diagnostics and Cambridge Nutritional Sciences in September 2007, we knew that we had well developed products but that their commercial success was unfulfilled.

Andrew Shepherd

Chief Executive

6 July 2009

I am pleased to report that the Group has seen a major increase in revenue for the year to £5.4 million, some 56% ahead of last year's figures (2008: £3.5 million). On a full like-for-like basis, turnover has increased by 20% combined, and individually across all three trading entities, reflecting the increased sales and marketing effort throughout the year.

Omega Diagnostics Limited ('ODL')

ODL has seen growth in most regions around the world, particularly in Africa/Middle East and Asian regions. Sales for the year increased to £2.3 million (2008: £2.1 million) representing growth of 10% in the year which, for a mature product range in a mature market, represents a good result. A growth rate of this level has not been seen at ODL for many years and is due to the increased sales resource being applied throughout the year with some cross-selling opportunities being exploited between the Omega and Genesis distribution bases.

Genesis Diagnostics ('Genesis')

Genesis has seen growth in sales to £2.5 million (2008: £1.9 million) representing a 32% increase on a like-for-like basis. This growth has been fuelled by the roll-out into a number of territories of the Genarrayt™ assay system for food intolerance. Twenty two new systems have been installed in ten countries with many systems still subject to evaluation which, if successful, will result in increased sales of reagent kits going forward. Sales of Genarrayt™ food intolerance systems reached £146k (2008: £nil) with sales of reagent kits reaching £574k (2008: £424k). To handle the increase in Genarrayt™ business, we recently invested further in more advanced technology



high throughput non-contact microarray printing equipment. This has increased our production capacity five-fold and now provides increased capabilities not only for increased production but development of new arrays of clinical and commercial importance.

Cambridge Nutritional Sciences ('CNS')

As with the Genesis Genarray™ system, CNS has been involved in the extended launch of the Food Detective™ home test for food intolerance into many countries around the world, particularly in Europe, through companies that specialise in sales to the professional nutritionist market. The re-branding of the product, with the resulting launch at The Allergy Show in Olympia, London in June 2008, allowed a much more focussed promotional activity, the result of which has been to locate and appoint exclusive distributors in 18 countries. These cover the major European markets but also extend to the Middle East, Asia, Australia and Latin America. Sales of Food Detective™ have increased to £314k (2008: £217k) representing a 45% increase with over a doubling in product volume. More distributors from other countries are in discussion with further appointments expected to be made throughout the year. Some countries do require extended periods for product registration with their regulatory/import authorities but it is hoped that registration in these key markets can be achieved in the year. However, it must be noted that the UK retail pharmacy market has not been accessed as anticipated due to adverse pricing conditions for the retail market but further efforts are being made to increase sales in our home market through the same professional markets being addressed by the international distributors.

The other aspect of the CNS business is testing services for food intolerance and other linked medical conditions. After concentrating on the launch of Food Detective™ our focus now moves towards developing the testing side of the business. Further manpower resources have been employed with a view to accessing a much wider market, both in the UK and in several European markets that are now being serviced by our Food Detective™ distributors. These distributors are now offering the laboratory services as a value-added proposition to the nutritionist customer base.

Distribution network

In addition to the distributors which serve our clinical products market we have now also developed the distribution base for the Food Detective™ product which represents an alternative route to professional/consumer markets. These additional distributors are also seeking new products to broaden their product offering so further opportunities exist in these markets for newly developed products. Our investment in additional key marketing appointments in 2008 has also been pivotal in achieving the significant increase in sales on a global basis. Further appointments in product support positions have been made, especially for the support of the roll-out of the Genarray™ microarray systems.

We have increased sales through an intensive sales and marketing effort resulting in a major increase in turnover and profit margin despite a global economic downturn.



Chief Executive's Review (continued)

FoodDetective™



Simple, safe, accurate and fast, **Food Detective™** is the world's first self-test for food intolerance.

Bloated after eating certain foods? Tired at certain times of the day? Headache for no apparent reason?



£50.00
including VAT
plus p&p

Food intolerance is a medically recognised condition which is different to food allergy.

You could be intolerant to some of the food in your diet.

Find out by ordering the world's first self-test for people who suspect they have symptoms of food intolerance.

Order your **Food Detective™** test kit online at www.food-detective.com or telephone 01353 863279

Food Detective™ is manufactured by Cambridge Nutritional Sciences Ltd, part of the Omega Diagnostics Group plc, and tests for reactions to 59 commonly eaten foods. Cambridge Nutritional Sciences also provide a laboratory service to detect intolerance in over 220 foods. See our website for details.

www.food-detective.com

We have also developed the distribution base for the Food Detective™ product which represents an alternative route to market.

Research and development

Work was completed on the new colourimetric version of the Genarray™ microarray which significantly reduces the cost of scanning the results from the earlier fluorimetric version. Laboratories can now install Genarray™ without a major capital expense which has always been an impediment to the installation of new technologies. With the emphasis now being placed on the production of much higher volumes of Genarray™ further investment was made in acquiring a non-contact microarray printer which increases the production capacity five-fold. Additional human resource has been allocated to production and product support duties. Recent staff appointments in technical support and R&D mean that we will be able to spend more time developing additional products on the Genarray™ microarray platform. One such test will be an array for autoimmune disease, a key product area for the Group.

This year has also seen the launch of the Autonomy Control™ range of quality control sera for autoimmune disease testing. Quality control and proficiency testing is now mandatory in most clinical laboratories worldwide and this range complements our offering of Autoimmune ELISA products. This is the first range of independent controls available commercially which will work across all test platforms from all manufacturers. It is hoped to expand this product range to cover other clinical areas in the future. Also, in line with developing products for this niche market, development was also completed on a new test kit called Pathozyme™ ElisaSure that checks the quality performance of laboratory equipment and laboratory staff. In an environment of increasing quality monitoring and national and international quality accreditation schemes, we believe that this market has good potential in the future.

Outlook

Overall, the global market for IVD products has reached \$37 billion with a growth rate of 7% and, according to informed industry sources, the diagnostics industry is seen as relatively 'recession proof' with no sign of falling sales. Bearing in mind that we are still launching new products into new markets, we currently do not anticipate any adverse effect on sales growth.

During the year, the Group has made good progress in core sales activity but only limited progress in its stated strategy of 'growth by acquisition'. During the second half of the year an attempt was made to acquire a much larger company in our field, but this failed due to the ever worsening economic climate. It is hoped that this situation will change in the near future and that our aspirations and desire to build a much larger group will be fulfilled. ■

Andrew Shepherd
Chief Executive
6 July 2009



Financial Review

The prior year comparative results only include seven months of post-acquisition trading from Genesis and CNS but where relevant, true like-for-like comparisons are provided in the Overview section of this Annual Report. The Group has achieved a profit before tax of £266,893 (2008: £123,708).

Kieron Harbinson
Group Finance Director
6 July 2009

Trading activities

Revenue

Revenue for the year was £5,438,313 representing an increase of 56% over the previous year (2008: £3,491,580) and includes growth in six out of the seven major regions for which we report.

Gross profit

Gross profit for the year was £3,344,264 (2008: £1,897,894) resulting in an increased gross margin percentage of 61.5% (2008: 54.4%). This increase in margin was expected, as explained in last year's annual report, due to the higher margin products and services provided by Genesis and CNS contributing for a full twelve months. However, the margin has also increased due to the result in Omega Diagnostics Ltd ('ODL') where margin growth of over four percentage points was achieved.

Administration costs

Administration costs were £2,691,545 (2008: £1,599,657), reflecting a full year's charge within Genesis and CNS of £1,252,045 (2008: £708,874). The increase is mainly due to higher levels in staff needed to support the sales growth, particularly with the Genarray™ assay and the Food Detective™ test. Also included within administration costs is a foreign exchange gain from trading activities of £94,652 (2008: £4,141 loss), amortisation of intangible assets of £98,750 (2008: £57,604) and share-based payment charges of £77,948 (2008: £nil).

An exceptional administration cost of £80,301 (2008: £nil) was incurred relating to an aborted acquisition opportunity. The Company was able to limit its exposure to 30% of the total costs incurred, by obtaining indemnities from other parties. At the year end, £16,905 was still to be received from one of these parties and this sum has been received since the year end. Due to the one-off nature of these costs, they have been classified as an exceptional administration cost on the face of the income statement.

Research and development

Included within administration costs is expenditure on research and development activities which in the year amounted to £226,068 (2008: £136,672). In the year, the new colourimetric microarray-based kit was completed providing a system which requires a much less expensive scanning system to interpret results than its predecessor. This system has subsequently been placed for evaluation in ten new countries, and this is expected to drive the growth of Genarray™ kit sales in the current year. In autoimmune disease testing, development was completed of the Autonomy Control™ range of sera which are used in clinical laboratories worldwide to verify assay performance. In the coming year, development will focus on bringing to the market a new panel of autoimmune tests on the Genarray™ microarray platform. This project will be aided by the investment in a new state-of-the-art microarray inkjet printing technology which applies non-contact inkjet fluidics with the ability to dispense accurate volumes in picolitres.

Operating profit

The Group generated operating profits of £572,968 (2008: £298,237) having benefited from a full year of trading contribution from Genesis and CNS.

Profit before tax

The profit before tax was £266,893 (2008: £123,708). Finance costs for the year totalled £312,232 (2008: £187,421) with the increase principally being due to the foreign exchange loss on the retranslation of foreign currency borrowings of £188,295 (2008: £13,449). Interest payable amounted to £117,262 (2008: £97,379) which, despite including a full year's charge on loans, was proportionately lower due to the more benign interest rate environment. Also included within finance costs are net charges relating to discount factors and fair value adjustments in accordance with IFRS of £6,675 (2008: £64,888).



Taxation

There is a tax charge of £45,852 (2008: £113,807 tax credit) in the year, comprising a charge for current tax of £51,160 (2008: £38,128 credit) and a deferred tax credit of £5,308 (2008: £75,679 credit) equating to an effective tax rate of 17.2%. Prior year adjustments to the tax charge arise when there are differences between estimated figures chargeable to tax and final tax computations.

Earnings per share

There was a basic earnings per share (EPS) after exceptional costs of 1.4p (2008: 2.4p) reflecting the higher average number of shares in issue throughout the year. Basic EPS before exceptional costs was 2.0p (2008: 2.4p).

Acquisitions

Deferred consideration payments

On 12 August 2008, the Company issued 757,213 ordinary shares of 4 pence each to the original shareholders in ODL. These shares were valued at 80 pence per share in settlement of the earn-out amount of £605,772 in accordance with the terms of that acquisition agreement.

On 16 April 2008 and 12 March 2009, the company made cash payments respectively of £38,010 and £67,827 in settlement of agreed earn-out targets in respect of the acquisition of Genesis and CNS. The Company also made a cash payment of £61,634 on 12 September 2008, in respect of the same acquisition agreement, which was a deferred sum payable on the first anniversary date after completion. All three amounts have been included on the consolidated cash flow statement under outflow on acquisition of subsidiary.

Aborted acquisition

During the latter half of last year, the Company was involved in the planned acquisition of another company which required Omega to raise new funds to complete the acquisition. The funding environment deteriorated throughout the process, due to the turmoil in worldwide financial markets, and the Company concluded that due to those challenging circumstances it was not possible to raise sufficient funds to continue with the proposed transaction. The Company incurred costs, of £265,920, in connection with the aborted transaction but it was able to significantly reduce the impact of these costs by obtaining indemnities from third parties for these costs. Among these third parties were Dr Mike Walker and David Evans, directors of the Company, who agreed to cover 30% and 10% of the costs respectively. As a result, the financial impact of the aborted transaction to the Company has been limited to £80,301.

The Group has achieved 20% like-for-like growth in sales while operating profit has almost doubled having benefited from a full year of trading from Genesis and CNS.



Financial Review (continued)

In the coming year, development will focus on bringing to the market a new panel of autoimmune tests on the Genarray™ microarray platform.

Due to the one-off nature and value of these costs, they have been separately disclosed and treated as an exceptional item in the income statement so that they do not impact on the results from normal trading operations.

Treasury operations

Currency management

The Group conducts its operations in three main currencies being sterling, euros and US dollars. In the case of transactions in euros and US dollars, the Group may be exposed to fluctuations in the rates of exchange against sterling. Where possible, the Group operates a natural hedge by entering into transactions of both a buying and selling nature that limits the risk of adverse exchange rate losses. Following the purchase of Genesis and CNS, the Group continues to generate a net surplus in US dollars from its trading activities. Given this situation, in March 2008, the Company converted half of its then outstanding sterling loan, with Bank of Scotland, into US dollars. This enabled the Group to benefit from US interest rates which were lower than interest rates in the UK at that time. However, the strengthening of the US dollar against sterling throughout the year has given rise to a foreign exchange translation loss of £188,295 (2008: £13,449). In part, this has been offset by the gain of £94,652 referred to above under Administrations costs.

Interest rate management

Following conversion of a part of the sterling loan into US dollars (see Currency management above), the Group limited its exposure to interest rate fluctuations by entering into certain derivative financial instruments. In the case of the remaining sterling loan, the Group entered into an agreement with Bank of Scotland whereby the base rate element of the interest charge has been capped at 5.5% for the entire remaining term. In the case of the US dollar loan, the Group entered into two agreements with Bank of Scotland, one to cap the interest rate based on US Libor at 5% and one to operate a floor rate on US Libor of 2.25%. Under IFRS, these derivative financial instruments are required to be disclosed at their fair values as either assets or liabilities and there has been a fair value adjustment charge through the income statement of £9,871 (2008: £230). Accordingly, at the balance sheet date, the Group had assets of derivative financial instruments of £599 (2008: £3,419) and liabilities of derivative financial instruments of £10,700 (2008: £3,649).

Cash flow

Net cash inflow for the year was £100,043 (2008: £134,691) which meant that at the year end, the Group had cash and cash equivalents of £612,554 (2008: £512,511). The Group's conversion of operating profit into operating cash has remained efficient with cash generated from operations of £668,276 (2008: £438,435) as the Group has benefited from a full year of trading from Genesis and CNS. The Company incurred deferred consideration payments in respect of the acquisition of Genesis and CNS of £167,471 as detailed earlier in this report. In total, the Group's net debt position has decreased to £1,635,013 (2008: £1,753,270).

Capital management

The Group funds its operations with a mixture of short and long term borrowings or equity as appropriate with a view to maximising returns for shareholders whilst safeguarding the ability to continue to operate as a going concern.

Capital expenditure

The Group incurred £134,433 (2008: £157,721) on plant and machinery fixed assets. Most purchases comprised smaller value replacement items and general IT equipment upgrades. The single largest investment, of £107,500, was the purchase of a new inkjet printer for laying minute amounts of material onto a microarray slide. This new non-contact form of printing replaces the older contact printing machine and significantly increases the manufacturing and development capacity of the Group in this area. This investment has been financed by way of a new finance lease, repayable over 36 months. ■



Kieron Harbinson

Group Finance Director
6 July 2009



Board of Directors

David Evans, CA **Non-executive Chairman**

Aged 49, David Evans has considerable experience within the diagnostics industry. As Financial Director he was a key member of the team that floated Shield Diagnostics Limited in 1993. He became Chief Executive Officer responsible for the merger of Shield Diagnostics Group plc with Axis Biochemicals ASA of Norway in 1999 to create Axis-Shield plc. In addition to his role as Non-executive Chairman of Omega, he is Non-executive Chairman of Immunodiagnostic Systems Holdings plc and Epistem Holdings Plc, which are both AIM-quoted medical groups operating in different industrial areas from Omega.

Andrew Shepherd, BSc. (Hons) **Chief Executive**

Aged 53, Andrew Shepherd is the Founder and Managing Director of Omega Diagnostics Limited. He has been involved in the medical diagnostics industry for the last 34 years.

He started his career in 1974 by holding technical positions at G.D. Searle Limited and subsequently attended university, graduating with a Bachelor of Science in biology. He then moved into a sales and marketing position at Cambridge Life Sciences plc in 1981, before establishing his first diagnostics company, Cambridge Biomedical Limited, in 1982. In 1986 he moved to Scotland to join Bioscot Limited and, shortly afterwards, established Omega. Mr Shepherd used his technical experience and knowledge of exporting to oversee the growth of the export of Omega products to in excess of £2 million per annum. Omega now exports to over 100 countries around the world, and he travels regularly to many of the countries in which Omega customers are based.

Mr Shepherd was also recently a member of the Bill and Melinda Gates Foundation's (BMGF) Global Health Diagnostics Forum, which provided guidance to BMGF in advising on technology and future investments in worldwide diagnostics programmes for developing countries. The Forum published a number of scientific papers in a Nature magazine supplement in November 2006 (www.nature.com/diagnostics).

Kieron Harbinson, FCCA **Finance Director**

Aged 44, Kieron Harbinson joined Omega in August 2002 as Finance Director. He is responsible for finance, information technology, human resources and operations planning.

Mr Harbinson joined Scotia Holdings PLC in 1984. He qualified as an accountant in 1991, and became a Fellow of the Association of Chartered Certified Accountants in 1997. He remained with the company for approximately 14 years, during which time he held various roles including Group Financial Controller and Chief Accountant. These roles enabled him to acquire a broad range of knowledge in a high-growth technology company, plus experience in corporate acquisitions, disposals and intellectual property matters. In addition he gained experience in various debt and equity transactions, and was involved in raising over £100 million for the company. He was also head of Tax and Treasury, responsible for a treasury programme of cash investments of over £50 million and management of currency exposures.

Mr Harbinson then joined Kymata Limited, a start-up optoelectronics company, as Finance Director. Over a period of 18 months, he was involved in raising approximately US\$85 million of venture capital funding. He was responsible for implementing financial controls and accounting systems, and by the time he left in 2000 the company had grown to over 200 employees. The company was sold in 2001 to Alcatel for €134 million.

Michael Gurner, FCA **Non-executive Director**

Aged 64, Michael Gurner led the flotation of the Company on AIM as Chairman and Chief Executive. He reviewed numerous potential acquisition candidates before the Company entered into the acquisition agreement with Omega Diagnostics Limited.

He qualified as a Chartered Accountant in 1967, before embarking on a career in merchant banking with Keyser Ullmann, including M&A activities with the Ryan Group of Companies and holding senior management positions, including Managing Director of a fully listed company, Continuous Stationery plc, an acquisitive business forms manufacturer between 1986 and 1991. During this time, he was responsible for acquisitions, including Prontaprint, the photographic print retail chain, and led the turnaround of its performance in the ensuing 18 months.

Thereafter Mr Gurner focused on turning around under-performing and ailing businesses, in association with Postern Executive Group Limited ('Postern'), a leading UK turnaround specialist which provided management teams for troubled companies. At Postern's request, he joined the board of several companies which were successfully turned around.



David Evans, CA
Non-executive Chairman
Aged 49, David Evans has considerable experience within the diagnostics industry.



Andrew Shepherd, BSc (Hons)
Chief Executive
Aged 53, Andrew Shepherd is the Founder and Managing Director of Omega Diagnostics Limited.



Kieron Harbinson, FCCA
Finance Director
Aged 44, Kieron Harbinson joined Omega in August 2002 as Finance Director.



Michael Gurner, FCA
Non-executive Director
Aged 64, Michael Gurner led the flotation of the Company on AIM as Chairman and Chief Executive.

Directors' Report

The Directors present their Annual Report and Group financial statements for the year ended 31 March 2009.

Principal activities

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

Results and dividends

The result for the year is a profit of £221,041 (2008: profit of £237,515) which has been taken to reserves. The Directors do not propose to pay a dividend. The results are discussed in more detail in the Financial Review on pages 16 to 18.

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own income statement in these financial statements. The Company loss for the year ended 31 March 2009 is £33,739 (2008: profit of £104,537).

Business review and future development

A review of business and future development is discussed in more detail in the Chairman's Statement, Chief Executive's Review and Financial Review commencing on pages 10, 12 and 16 respectively. Key performance indicators are disclosed on page 3. Other KPIs with comparatives are discussed in the aforementioned reports.

Research and development

Research and development activity has increased in the year, with a full year's charge from Genesis and CNS. Details of research and development activity are contained in the Chairman's Statement, Chief Executive's Review and Financial Review on pages 10 to 18. Costs in the year amounted to £226,068 (2008: £136,672).

Directors

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

David Evans
Michael Gurner
Kieron Harbinson
Andrew Shepherd
Michael Walker (resigned 11 November 2008)

Biographies of all Directors still serving at the year-end are on page 19.

Directors' interests

The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report on pages 22 and 23. There are no non-beneficial interests held by Directors. On 6 April 2009, Michael Gurner purchased 20,000 shares in the Company, taking his holding to 121,671 ordinary shares. There have been no other changes to any Director's interests in the shares of the Company between 31 March 2009 and the date of this report.

Major interests in shares

As at 4 June 2009, the Company had been notified that the following shareholders held more than 3% of the Company's issued ordinary share capital:

	Number of 4p ordinary shares	Percentage
Dr Michael Walker	4,461,220	28.54%
Williams de Broe	2,903,234	18.57%
Brewin Dolphin Securities	2,610,842	16.70%
Andrew Shepherd	1,319,830	8.44%
Scottish Enterprise	679,792	4.35%
Henderson Global Investors Ltd	666,666	4.26%

Supplier payment policy

It is the Company's policy to agree the terms of payment with its suppliers, to ensure its suppliers are made aware of those terms and to pay in accordance with them.

Trade creditors of the Company at 31 March 2009 were equivalent to 71 days (2008: 66 days) based on the average daily amount invoiced by suppliers during the year.

Employees

The Company encourages communication with its employees and favours an environment where staff can put forward their ideas, suggestions and concerns on any matter that involves them. The Company 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.

Principal risks and uncertainties

The Board meets regularly to review operations and to discuss risk areas. The Corporate Governance Report contains details of the Group's system of internal control. Note 23 to the accounts contains details of financial risks faced by the Group.

The Board is also aware of non-financial risk areas including:

General economic conditions

The Group may be faced with changes in the general economic climate in each territory in which it operates that may adversely affect the financial performance of the Group. Factors which may contribute include the level of direct and indirect competition against the Group, industrial disruption, rate of growth of the Group's sectors and interest rates. The Group seeks to mitigate this risk by conducting operations on a broad geographic basis and by introducing new technologies to remain innovative.

Regulatory risk

The manufacturing, marketing and use of the Group's products are subject to regulation by government and regulatory agencies in many countries. Of particular importance is the requirement to obtain and maintain approval for a product from the applicable regulatory agencies to enable the Group's products to be marketed. Approvals can require clinical evaluation of data relating to safety, quality and efficacy of a product. The Group seeks to mitigate regulatory risk by conducting its operations within recognised quality assurance systems and undergoes external assessment to ensure compliance with these systems.

Acquisition risk

The success of the Group depends upon the ability of the Directors to assimilate and integrate the operations, personnel, technologies and products of acquired companies. The Group seeks to mitigate this risk by selecting companies which meet certain selection criteria and by conducting a detailed due diligence review.

Donations

The Company made a charitable donation of £130 (2008: £nil) and no political donations (2008: £nil) during the year.

Auditors

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

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 20. 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 Company'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 Company's auditors are aware of that information.

By order of the Board

Kieron Harbinson
Company Secretary
6 July 2009

Directors' Remuneration Report

The Directors present their Remuneration Report as follows:

Remuneration Committee

The Remuneration Committee is comprised of Michael Gurner, as Chairman, and David Evans. The committee meets as and when required to determine and agree with the Board the policy for the remuneration of the Company's Chief Executive, Chairman, Executive Directors and the Company Secretary. The objective of this policy shall be to ensure that members of the executive management of the Company 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 Company. No Director or manager shall be involved in any decisions as to their own remuneration.

Remuneration policy

The Company'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 Company's objectives, thereby enhancing shareholder value.

Incentive schemes/share option schemes

On 30 August 2007 shareholders approved the Company's EMI Share Option Scheme. The Company has issued 1,442,467 options under the EMI Share Option Scheme in the year to Directors and senior managers to align their interests with those of shareholders. David Evans was issued with an option over 390,822 ordinary shares of the Company under an unapproved option scheme.

Directors' service contracts

Andrew Shepherd entered into a service contract with the Company on 23 August 2006, under which he was appointed as Chief Executive on an annual salary of £85,000. His salary was increased to £125,000 per annum from 1 April 2008. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

Kieron Harbinson entered into a service contract with the Company on 23 August 2006, under which he was appointed as Finance Director and Company Secretary on an annual salary of £72,500. His salary was increased to £90,000 per annum from 1 April 2008. The agreement will continue until terminated by either party giving to the other not less than three months' notice in writing.

David Evans was appointed a Non-executive Director of the Company on 19 September 2006 and, as previously agreed, was entitled to an annual fee of £25,000 from 1 April 2008. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Michael Gurner was appointed a Non-executive Director of the Company on 19 September 2006 and he is entitled to an annual fee of £15,000. This fee was increased to £20,000 per annum from 1 January 2009. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Michael Walker was appointed a Non-executive Director of the Company on 3 September 2007 and was entitled to an annual fee of £15,000. He resigned as a Director on 11 November 2008.

Directors' emoluments

Consolidated	Fees/basic salary £	Bonuses £	Benefits in kind £	Total 2009 £	Total 2008 £
Executive					
Andrew Shepherd	125,000	–	–	125,000	85,000
Kieron Harbinson	90,000	–	–	90,000	72,500
Non-executive					
David Evans	25,000	–	–	25,000	–
Michael Gurner	16,250	–	–	16,250	15,000
Michael Walker	9,212	–	–	9,212	8,750

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

Directors' pension contributions

	2009 £	2008 £
Andrew Shepherd	8,375	2,125
Kieron Harbinson	5,083	3,125

Andrew Shepherd is a Non-executive Director of Omega Resources Limited, a company providing recruitment agency services. He does not receive any remuneration for this position.

Directors' interests in the 4p ordinary shares of Omega Diagnostics Group PLC

	31 March 2009	31 March 2008
David Evans	110,000	110,000
Michael Gurner	101,671	101,671
Kieron Harbinson	58,317	38,883
Andrew Shepherd	1,319,830	918,697

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

Directors' share options

	At 1 April 2008	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2009	Option price	Date of grant	Earliest exercise date	Expiry date
David Evans	–	390,822	–	–	390,822	19p	10/12/2008	10/12/2009	10/12/2018
Andrew Shepherd	–	703,480	–	–	703,480	19p	10/12/2008	10/12/2009	10/12/2018
Kieron Harbinson	–	468,987	–	–	468,987	19p	10/12/2008	10/12/2009	10/12/2018

David Evans was issued with an option under the Unapproved Option Scheme and Andrew Shepherd and Kieron Harbinson were issued with options under the Company's EMI Option Scheme.

The share price at 31 March 2009 was 17p. The highest and lowest share price during the year was 34.5p and 17p respectively.

Under the terms of a warrant, Michael Gurner is entitled to subscribe for 45,835 ordinary shares of 4p each between 1 April 2008 and 19 September 2009. The warrant will lapse after 19 September 2009 if it has not been exercised by that date.

Approved by the Board

Michael Gurner

Non-executive Director
6 July 2009

Corporate Governance Report

The Board of Directors

The Board currently comprises: one Non-executive Chairman; one Non-executive Director; and two Executive Directors, who are the Chief Executive and the Finance Director. David Evans, Non-executive Chairman and Michael Gurner, Non-executive Director are considered by the Board to be independent in character and judgement. Michael Gurner is the senior independent Non-executive Director. The Board meets at regular intervals and is responsible for setting corporate strategy, approving the annual budget, reviewing financial performance, agreeing the renewal of and any new banking/treasury facilities and approving major items of capital expenditure. The Board is provided with appropriate information in advance of Board meetings to enable it to discharge its duties effectively. During the financial year, the Board met on thirteen occasions. Michael Walker, who resigned as a Non-executive Director on 11 November 2008, attended seven out of eight meetings that he was entitled to attend. Andrew Shepherd attended twelve out of the thirteen meetings. The three remaining Directors were present at all the meetings held throughout the year.

The Chairman has additional Non-executive Directorships of the following companies:

Bgenuine Tech KK
DxS EBT Limited
Epistem Holdings Plc
Immunodiagnostic Systems Holdings plc
Microtest Matrices Limited
Onyx Scientific Limited
Quotient Diagnostics Limited
Scancell Holdings plc
Vindon Scientific plc

The Audit Committee

The Audit Committee has met on three occasions during the year and once since the year-end. The Committee is comprised of David Evans, as Chairman, and Michael Gurner and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on, and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, 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 shall consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's external auditors. The Committee shall also oversee 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 will take into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services. Ernst & Young LLP have been auditors to Omega Diagnostics Limited ('ODL') since 2000 and were appointed as Auditors to the Company following completion of the reverse takeover of ODL in September 2006.

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

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

The Remuneration Committee

The Remuneration Committee has met on one occasion during the year. The Committee is comprised of Michael Gurner, as Chairman, and David Evans and has primary responsibility for determining and agreeing with the Board the remuneration of the Company's Chief Executive, the Executive Directors, the Company Secretary and such other members of the Executive management as it is designated to consider. The remuneration of the Non-executive Directors shall be a matter for the Chairman and the Executive Directors of the Board. No Director or manager shall be involved in any decisions regarding their own remuneration.

Internal control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness throughout the year. Such a system can only provide reasonable assurance against misstatement or loss.

The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in financial statements.

Where the management of operational risk requires outside advice, this is sought from expert consultants, and the Company receives this in the areas of employment law and health and safety management.

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

Communication with shareholders

The Board recognises the importance of communication with its shareholders. The Company maintains informative websites for Genesis, ODL and CNS containing information likely to be of interest to existing and new investors. In addition, the Company retains the services of financial PR consultants, providing an additional contact point for investors. The Board encourages shareholder participation at its Annual General Meeting, where shareholders can be updated on the Company's activities and plans.

Going concern

The Board has reviewed the going concern concept for the preparation of financial statements. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future, and have therefore adopted the going concern basis in the preparation of these financial statements.

By order of the Board

Kieron Harbinson

Company Secretary
6 July 2009

Statement of Directors' Responsibilities

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

The Directors are required to prepare Group and Company financial statements for each financial year which present fairly the financial position of the Group and Company and the financial performance and cash flows of the Group and Company for that period. In preparing those Group and Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report

to the members of Omega Diagnostics Group PLC

We have audited the consolidated financial statements (the 'financial statements') of Omega Diagnostics Group PLC for the year ended 31 March 2009 and the Company financial statements for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related Notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors' 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.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Financial Review that is cross-referenced from the Results and dividends section of the Directors' Report, and that specific information presented in the Chairman's Statement and Chief Executive's Review that is cross-referenced from the Business review and future development section of the Directors' Report, and that specific information that is presented in the Directors' Remuneration Report that is cross-referenced from the Directors' interests section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Highlights of 2009, Our Strategy, Global Reach, Investing in Technology, Our Key Products, the Chairman's Statement, the Chief Executive's Review, the Financial Review, Board of Directors, Directors' Report, Directors' Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the Company's affairs as at 31 March 2009 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Registered Auditors
Edinburgh
6 July 2009

Consolidated Income Statement

for the year ended 31 March 2009

	Note	2009 Total £	2008 Total £
Continuing operations			
Revenue	7	5,438,313	3,491,580
Cost of sales		(2,094,049)	(1,593,686)
Gross profit		3,344,264	1,897,894
Administration costs		(2,691,545)	(1,599,657)
Other income – government grants and related assistance		550	–
Exceptional administration costs	19	(80,301)	–
Operating profit	7	572,968	298,237
Finance costs	5	(312,232)	(187,421)
Finance income – interest receivable	7	6,157	12,892
Profit before taxation		266,893	123,708
Tax (charge)/credit	6	(45,852)	113,807
Profit for the year		221,041	237,515
Earnings Per Share (EPS)			
	22		
Basic EPS on profit for the year			
– before exceptional items		2.0p	2.4p
– after exceptional items		1.4p	2.4p
Diluted EPS on profit for the year			
– before exceptional items		2.0p	2.2p
– after exceptional items		1.4p	2.2p

Consolidated Balance Sheet

as at 31 March 2009

	Note	2009 £	2008 £
ASSETS			
Non-current assets			
Intangibles	9	4,879,700	5,111,747
Property, plant and equipment	10	639,446	592,647
Deferred taxation	15	107,530	124,310
Derivative financial instruments	23	599	3,419
		5,627,275	5,832,123
Current assets			
Inventories	11	762,380	627,037
Trade and other receivables	12	1,254,963	1,085,291
Income tax receivable		4,055	–
Cash and cash equivalents		612,554	512,511
		2,633,952	2,224,839
Total assets		8,261,227	8,056,962
EQUITY AND LIABILITIES			
Equity			
Issued capital	16	5,011,769	4,405,998
Retained earnings		(646,548)	(945,537)
Total equity		4,365,221	3,460,461
Liabilities			
Non-current liabilities			
Other financial liabilities	20	–	204,476
Long-term borrowings	13	1,875,263	1,976,912
Deferred taxation	15	575,065	591,366
Derivative financial instruments	23	10,700	3,649
Total non-current liabilities		2,461,028	2,776,403
Current liabilities			
Short-term borrowings	13	372,304	288,869
Other financial liabilities	20	131,580	733,327
Trade and other payables	14	871,725	726,325
Income tax payable		59,369	71,577
Total current liabilities		1,434,978	1,820,098
Total liabilities		3,896,006	4,596,501
Total equity and liabilities		8,261,227	8,056,962

David Evans
Non-executive Chairman
6 July 2009

Kieron Harbinson
Finance Director
6 July 2009

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Note	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2007		860,175	374,121	(1,183,052)	51,244
Issue of share capital for cash consideration	16	293,333	1,450,778	–	1,744,111
Issue of share capital for non-cash consideration	16	178,449	1,159,917	–	1,338,366
Fair value adjustment to issue of share capital for non-cash consideration	16	–	89,225	–	89,225
Profit for the year ended 31 March 2008		–	–	237,515	237,515
Balance at 31 March 2008		1,331,957	3,074,041	(945,537)	3,460,461
Issue of share capital for non-cash consideration	16	30,289	575,482	–	605,771
Profit for the year ended 31 March 2009		–	–	221,041	221,041
Share-based payments		–	–	77,948	77,948
Balance at 31 March 2009		1,362,246	3,649,523	(646,548)	4,365,221

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Note	2009 £	2008 £
Cash flows generated from operations			
Profit for the year		221,041	237,515
Adjustments for:			
Taxation		45,852	(113,807)
Finance costs		312,232	187,421
Finance income		(6,157)	(12,892)
Operating profit before working capital movement		572,968	298,237
(Increase)/decrease in trade and other receivables		(169,672)	234,858
(Increase)/decrease in inventories		(135,343)	64,919
Increase/(decrease) in trade and other payables		205,913	(279,257)
(Gain)/loss on sale of property, plant and equipment		(350)	520
Depreciation	10	85,484	61,554
Amortisation of intangible assets	9	98,750	57,604
Share-based payments		77,948	-
Taxation paid		(67,422)	-
Net cash flow from operating activities		668,276	438,435
Investing activities			
Finance income		6,157	12,892
Purchase of property, plant and equipment		(26,933)	(157,721)
Sale of property, plant and equipment		2,500	6,500
Outflow on acquisition of subsidiary	8	(167,471)	(2,896,258)
Net cash used in investing activities		(185,747)	(3,034,587)
Financing activities			
Finance costs		(67,603)	(126,637)
Proceeds from issue of share capital		-	1,744,111
New loans		-	1,354,924
Loan repayments		(264,259)	(241,555)
Finance lease repayments		(50,624)	-
Net cash (used in)/from financing activities		(382,486)	2,730,843
Net increase in cash and cash equivalents		100,043	134,691
Cash and cash equivalents at beginning of year		512,511	377,820
Cash and cash equivalents at end of year		612,554	512,511

Company Balance Sheet

as at 31 March 2009

	Note	2009 £	2008 £
ASSETS			
Non-current assets			
Investments	21	7,676,225	7,809,522
Deferred taxation	15	16,214	19,953
Derivative financial instruments	23	599	3,419
		7,693,038	7,832,894
Current assets			
Trade and other receivables	12	786,271	749,422
Cash and cash equivalents		114,866	76,862
		901,137	826,284
Total assets		8,594,175	8,659,178
EQUITY AND LIABILITIES			
Equity			
Issued capital	16	6,001,444	5,395,673
Retained earnings		(137,167)	(181,376)
Total equity		5,864,277	5,214,297
Liabilities			
Non-current liabilities			
Other financial liabilities	20	–	201,985
Long-term borrowings	13	1,738,941	1,858,998
Derivative financial instruments	23	10,700	3,649
Total non-current liabilities		1,749,641	2,064,632
Current liabilities			
Short-term borrowings	13	290,710	241,325
Other financial liabilities	20	131,580	733,327
Trade and other payables	14	556,478	405,597
Income tax payable		1,489	–
Total current liabilities		980,257	1,380,249
Total liabilities		2,729,898	3,444,881
Total equity and liabilities		8,594,175	8,659,178

David Evans
Non-executive Chairman
6 July 2009

Kieron Harbinson
Finance Director
6 July 2009

Company Statement of Changes in Equity

for the year ended 31 March 2009

	Note	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2007		1,232,457	991,514	(285,913)	1,938,058
Issue of share capital for cash consideration	16	293,333	1,450,778	–	1,744,111
Issue of share capital for non-cash consideration	16	178,449	1,159,917	–	1,338,366
Fair value adjustment to issue of share capital for non-cash consideration	16	–	89,225	–	89,225
Profit for the year ended 31 March 2008		–	–	104,537	104,537
Balance at 31 March 2008		1,704,239	3,691,434	(181,376)	5,214,297
Issue of share capital for non-cash consideration	16	30,289	575,482	–	605,771
Loss for the year ended 31 March 2009		–	–	(33,739)	(33,739)
Share-based payments		–	–	77,948	77,948
Balance at 31 March 2009		1,734,528	4,266,916	(137,167)	5,864,277

Company Cash Flow Statement

for the year ended 31 March 2009

	2009 £	2008 £
Cash flows generated from operations		
(Loss)/profit for the year	(33,739)	104,537
Adjustments for:		
Taxation	5,228	(19,953)
Finance costs	300,944	178,251
Finance income	(838)	(7,491)
Operating profit before working capital movement	271,595	255,344
Increase in trade and other receivables	(36,849)	(337,834)
Increase/(decrease) in trade and other payables	212,516	(26,869)
Share-based payments	77,948	–
Net cash flow from operating activities	525,210	(109,359)
Investing activities		
Finance income	838	7,491
Outflow on acquisition of subsidiary	(167,471)	(3,114,103)
Net cash used in investing activities	(166,633)	(3,106,612)
Financing activities		
Finance costs	(56,314)	(117,468)
Proceeds from issue of share capital	–	1,744,111
New loans	–	1,200,000
Loan repayments	(264,259)	(120,000)
Net cash (used in)/from financing activities	(320,573)	2,706,643
Net increase/(decrease) in cash and cash equivalents	38,004	(509,328)
Cash and cash equivalents at beginning of year	76,862	586,190
Cash and cash equivalents at end of year	114,866	76,862

Notes to the Financial Statements

for the year ended 31 March 2009

1 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2009 were authorised for issue by the board of directors on 6 July 2009, and the balance sheets were signed on the board's behalf by David Evans and Kieron Harbinson. Omega Diagnostics Group PLC is a Public Limited Company incorporated in England. The Company's ordinary shares are traded on the AIM Market.

2 STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

The financial statements have been prepared in accordance with IFRS, as adopted by the European Union, as they apply to the financial statements of the Group and Company for the year ended 31 March 2009 respectively.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements. These financial statements are presented in sterling.

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

Basis of consolidation

The Group financial statements consolidate the financial statements of Omega Diagnostics Group PLC and the entities it controls (its subsidiaries). Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. 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 inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Use of estimates and judgements

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

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

The significant areas of estimation and uncertainty and critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the financial information are discussed below. Further judgements, assumptions and estimates are set out in the Group financial statements.

Valuation of intangible assets

Management judgement is required to estimate the useful lives of intangible assets having reference to future economic benefits expected to be derived from use of the asset. Economic benefits are based on the fair values of estimated future cash flows.

Impairment of goodwill

Goodwill is tested annually for impairment. The test considers future cash flow projections of cash generating units that give rise to the goodwill. Where the discounted cash flows are less than the carrying value of goodwill, an impairment charge is recognised for the difference. Further analysis of the estimates and judgements are disclosed in Note 9.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the deferred tax asset at 31 March 2009 is £107,530 (2008: £124,310). Further details are contained in Note 15.

Earn-out valuation

Management judgement is required to determine the financial liability to be recognised in respect of the earn-out. Management bases their estimation on the sales levels expected over the relevant period on historic data, current market conditions and the likelihood of future budgets being achieved. At 31 March 2009 the Genesis Earn-out has a carrying value of £131,580 (2008: £329,540). As the earn-out is based on 7% of sales of certain products, the earn-out amount may vary depending on the level of sales achieved.

Notes to the Financial Statements (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation currency and foreign currencies

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 are included in the net profit or loss for the year.

Revenue recognition

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

Goodwill

Business combinations are accounted for under IFRS 3 using the purchase method. Any 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 is recognised in the balance sheet as goodwill and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

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

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 historic 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 – 20 years

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

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	– 10 years, straight line with no residual value
Plant and machinery	– 8-10 years, straight line with no residual value
Motor vehicles	– 5 years, 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.

Impairment of assets

The Group and Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group and Company makes 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government 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. Government 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.

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred, except in the case of arrangement fees for long-term borrowings, where the fee is amortised to the income statement using the effective interest rate method.

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.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their lease period and useful life. The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligation is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Research and development costs

Expenditure on research, which is incurred up to the point of manufacturing validation, is written off as incurred. Thereafter, expenditure on product development which meets certain criteria is capitalised and amortised over its useful life. The manufacturing validation stage is when it is probable that the product will generate future economic benefits, and 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.

Exceptional items

The group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit special presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Trade receivables

Trade receivables are recognised and carried at the lower of original invoice amount and recoverable amount. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as remote. Payment terms vary from payment in advance to 90 days.

Share-based payments

Equity-settled transactions

For equity-settled transactions, the group measures the award by reference to the fair value at the date at which they are granted and it is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Notes to the Financial Statements (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. 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.

Pension contributions

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

Income taxes

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

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

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

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

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Financial instruments

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.

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts. Trade payables are not interest-bearing and are stated at their fair value.

Interest-bearing loans and overdrafts are recorded at the proceeds received, less any repayments. Accrued interest is presented as part of the loans and overdrafts balances.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where 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 a derecognition of the original liability and recognition of the new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised.

Financial liabilities have been recognised at the present value of the consideration expected to be payable by discounting the expected future cash flows at prevailing interest rates. At initial recognition, the quantum of liability to be recognised will depend upon management's expectation, at that date, of the amount that would ultimately be payable. Where there is a change to the expectation of an amount of deferred financial liability, the change is reflected through the income statement. Any changes to contingent financial liabilities are reflected through goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group uses derivative financial instruments to reduce its exposure to fluctuations in interest rates, both in sterling and US dollars. The Group does not hold or issue derivatives for speculative or trading purposes. Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of interest rate contracts is determined by reference to market values for similar instruments that have similar maturities. Changes in fair value are recognised in the income statement included in finance costs, due to the fact that hedge accounting has not been applied. Under IAS 39, these derivatives are classified as financial assets and liabilities at fair value through profit and loss.

Financial assets and liabilities that are held for trading and other assets and liabilities designated as such on inception are included in this category. Financial assets and liabilities are classified as held for trading if they are acquired for sale in the short-term. Derivatives are also classified as held for trading unless they are designated as hedge instruments. Assets are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Company's investments in subsidiaries

The company recognises its subsidiaries in investments 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.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations.

International Accounting Standards		Effective date*
IFRS 1/IAS 27	Amendment – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 2 (revised)	Share-based payments (vesting conditions and cancellations)	1 January 2009
IFRS 3 (revised)	Business Combinations	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1 (revised)	Presentation of Financial Statements: A revised presentation	1 January 2009
IAS 23	Borrowing Costs – Revised	1 January 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 32/IAS 1	Amendment – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39	Eligible Hedged Items	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		Effective date*
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of Assets from Customers	1 July 2009

*The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to adopt standards early.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

IFRS 3 (revised) will apply to business combinations arising from 1 January 2010. This will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs will be required to be recognised immediately in the income statement.

Notes to the Financial Statements (continued)

4 SEGMENT INFORMATION (continued)

The Group's activities are in one business segment: diagnostic testing kits. There are no other significant classes of business, either singularly or in aggregate. Accordingly, the Group's primary segment reporting is by business segment, with geographical reporting being the secondary format. This structure has been adopted as it is consistent with the Group's internal organisational and management structure, and with its system of internal financial reporting to key management, the purposes of evaluating performance, and making decisions about future allocations of resources.

Business segments

	2009 £	2008 £
Segment revenues	5,438,313	3,491,580
Segment result operating profit	572,968	298,237

There are no unallocated expenses.

Assets and liabilities

Segment assets	7,519,584	7,416,722
Unallocated assets	741,643	640,240
Total assets	8,261,227	8,056,962
Segment liabilities	871,725	726,325
Unallocated liabilities	3,024,281	3,870,176
Total liabilities	3,896,006	4,596,501

Other segment information

Segment capital expenditure	134,433	157,721
Segment depreciation	85,484	61,554
Segment amortisation of intangibles	98,750	57,604
Segment impairment of trade receivables	455	1,192
Segment earn out (credit)	–	(164,228)
Segment share-based payments	77,948	–

Geographical segments

The Group's geographical segments are based on the location of its markets and customers. Sales to external customers disclosed in geographical segments 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.

	2009 £	2008 £
Revenues		
UK	534,157	381,778
Eurozone	1,952,073	1,026,038
Other Europe	197,065	143,676
North America	156,542	53,250
South/Central America	362,776	373,939
Asia and Far East	1,212,651	777,064
Africa and Middle East	1,023,049	735,835
	5,438,313	3,491,580

4 SEGMENT INFORMATION (continued)

	2009 £	2008 £
Segment assets		
UK	7,519,584	7,416,722
Unallocated assets	741,643	640,240
Total assets	8,261,227	8,056,962
Segment liabilities		
UK	871,725	726,325
Unallocated liabilities	3,024,281	3,870,176
Total liabilities	3,896,006	4,596,501
Capital expenditure		
UK	134,433	157,721

Unallocated assets comprise cash, income tax receivable and deferred taxation, derivative financial instruments and professional fees incurred in respect of potential acquisitions. Unallocated liabilities comprise interest-bearing loans, borrowings, other financial liabilities, derivative financial instruments, deferred taxation, income tax payable.

5 FINANCE COSTS

Consolidated	2009 £	2008 £
Interest payable on loans and bank overdrafts	96,120	101,623
Exchange difference on loans	188,295	13,449
Unwinding of discounts	64,583	64,888
Fair value adjustment to acquisition	(57,907)	-
Fair value adjustment to financial derivatives	9,871	230
Finance leases	11,270	7,231
	312,232	187,421
Company	2009 £	2008 £
Interest payable on loans and bank overdrafts	96,102	99,684
Exchange difference on loans	188,295	13,449
Unwinding of discounts	64,583	64,888
Fair value adjustment to acquisition	(57,907)	-
Fair value adjustment to financial derivatives	9,871	230
	300,944	178,251

Notes to the Financial Statements (continued)

6 TAXATION

Consolidated	2009 £	2008 £
(a) Income tax expense		
Current tax – current year	59,274	–
Current tax – prior year adjustment	(8,114)	(38,128)
Deferred tax – current year	19,293	(82,087)
Deferred tax – prior year adjustment	(24,601)	6,408
Tax charge/(credit) for the year	45,852	(113,807)

Consolidated	2009 £	2008 £
(b) Reconciliation of total tax charge		
Factors affecting the tax charge for the year:		
Profit before tax	266,893	123,708
Effective rate of taxation	28%	30%
Profit before tax multiplied by the effective rate of tax	74,730	37,112
Effects of:		
Expenses not deductible for tax purposes and permanent differences	55,495	(57,806)
Transfers from previously unrecognised deferred tax asset	(16,214)	(32,818)
Research and development tax credits	(35,444)	(30,445)
Tax over-provided in prior years	(32,715)	(29,850)
Tax charge/(credit) for the year	45,852	(113,807)

Company	2009 £	2008 £
(a) Income tax expense		
Current tax – current year	1,489	–
Deferred tax – current year	21,895	(19,953)
Deferred tax – prior year adjustment	(18,156)	–
Tax charge/(credit) for the year	5,228	(19,953)

(b) Reconciliation of the total tax charge		
Factors affecting the tax charge for the year:		
(Loss)/profit before tax	(28,511)	84,584
Effective rate of taxation	28%	30%
(Loss)/profit before tax multiplied by the effective rate of tax	(7,983)	25,375
Effects of:		
Expenses not deductible for tax purposes	47,581	19,535
Transfers from previously unrecognised deferred tax asset	(16,214)	(64,863)
Tax over-provided in prior years	(18,156)	–
Tax charge/(credit) for the year	5,228	(19,953)

7 REVENUE AND EXPENSES

Consolidated	2009 £	2008 £
Revenues		
Revenue – sales of goods	5,438,313	3,491,580
Finance income	6,157	12,892
Total revenue	5,444,470	3,504,472

No revenue was derived from exchange of goods or services in either of the two years.

Consolidated	2009 £	2008 £
Operating profit is stated after charging/(crediting)		
Depreciation	85,484	61,554
Amortisation of intangibles	98,750	57,604
Net foreign exchange (gains)/losses	(94,652)	4,141
Write-down of inventories	–	11,502
Research and development costs	226,068	136,672
Impairment of trade receivables	455	1,192
Operating lease rentals	174,556	130,026
Share-based payments	77,948	–
Auditors' remuneration		
– Fees payable to the company's auditors for the audit of the annual accounts	15,000	15,000
– Fees payable to the company's auditors for other services		
– Taxation	20,950	17,700
– Local statutory audit of subsidiaries	17,500	17,500
– Local statutory audit of the parent company	2,500	2,500
– All other services	–	8,000

All research and development costs were charged directly to administration costs in the income statement.

Staff costs

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

Consolidated	2009 number	2008 number
Operations	35	17
Management and administration	21	19
Employee numbers	56	36

Their aggregate remuneration comprised:

	2009 £	2008 £
Wages and salaries	1,423,073	852,799
Social security costs	140,265	114,219
Pension costs	45,355	15,280
Share-based payments	77,948	–
	1,686,641	982,298

Notes to the Financial Statements (continued)

7 REVENUE AND EXPENSES (continued)**Equity-settled share-based payments****Consolidated and Company**

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans since their inception.

EMI Option Scheme and Unapproved 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 vest one year after the date of grant and are not subject to any performance criteria.

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

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

1,833,289 share options were granted on 10 December 2008. All of these are still outstanding, and none are exercisable, at the year end. The weighted average fair value of options granted during the year was 15.84p with a remaining contractual life of 9.75 years at 31 March 2009.

The following table lists the inputs to the model used for the year end 31 March 2009.

	2009	2008
Dividend yield	0%	–
Expected volatility	84%	–
Risk free interest rate	2%	–
Expected life of option	10 years	–
Share price at date of grant	19p	

The expected life of the options is based on management's assumption of the options' life due to the lack of any historical data on the exercise period of these options. The assumption takes into account the experience of employees and directors and is not necessarily indicative of exercise patterns that may occur.

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

Directors' remuneration

Consolidated	2009 £	2008 £
Fees	50,462	23,750
Emoluments	215,000	157,500
Contributions to personal pension	13,458	5,250
	278,920	186,500

Members of a defined contribution pension scheme at the year end:	2	2
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Company	2009 £	2008 £
Fees	50,462	23,750
Emoluments	215,000	157,500
	265,462	181,250

8 ACQUISITION OF SUBSIDIARIES

On 3 September 2007, the Group acquired 100% of the voting shares of Genesis Diagnostics Ltd ('Genesis') and Cambridge Nutritional Sciences Ltd ('CNS'), both unlisted companies based in Cambridgeshire, UK. Genesis is an established business in the medical diagnostics industry developing, producing and selling a range of test kits specialising in the areas of autoimmune disease, infectious disease and food intolerance. CNS provides a testing service for food intolerance and various other diseases.

The acquisition was accounted for using the purchase method of accounting, and the consolidated financial statements included the results of Genesis and CNS in the prior year for the seven-month period from the acquisition date. The fair values of the identifiable assets and liabilities of Genesis and CNS at the date of acquisition were:

	Total £
Intangible assets	1,975,000
Property, plant and equipment	395,504
Inventories	428,319
Trade and other receivables	617,515
Cash and cash equivalents	382,073
Borrowings	(45,500)
Trade and other payables	(289,428)
Deferred tax liability	(601,199)
Net assets	2,862,284
Goodwill on acquisition	3,194,351
	6,056,635
Fair value of consideration	5,978,303
Acquisition costs	78,332
	6,056,635

Cost of the acquisition

The total acquisition cost of £6,056,635 comprised the following: a cash payment of £3,200,000; 4,461,220 shares in the Company with a fair value of £1,427,590 based on the market price at acquisition; loan notes totalling £1,100,000 discounted to a fair value of £959,539; an earn-out based on the future performance of certain products, estimated at £400,000 discounted to a present value of £329,540; a deferred cash payment of £61,634 payable 12 months after completion; and acquisition costs of £78,332. The earn-out accrues at 7% of sales of the relevant products over the three-year period from 1 November 2006 to 31 October 2009, and is payable in three annual instalments once relevant amounts are finally agreed.

Funding

To fund the cost of the acquisition, the Group raised £2,200,000 (before expenses of £455,889) via the placing of 7,333,333 new ordinary shares at a price of 30p per share. In addition, the Group borrowed £1.2 million under a senior term loan facility from its principal banker, repayable over five years. The loan carried interest at 2.5% over base rate for the first year and fell to 2% over base rate thereafter as the Group remained within agreed covenants. The vendors of Genesis and CNS were issued loan notes of £1,100,000 repayable in three equal instalments on anniversary dates in 2012, 2013 and 2014. Interest accrues at base rate and is payable with the final instalment.

Cash outflow on acquisition

	2009 £	2008 £
Net cash acquired with Genesis and CNS	-	382,074
Acquisition costs	-	(78,332)
Cash paid	-	(3,200,000)
Deferred cash payment	(61,634)	-
Contingent consideration payments	(105,837)	-
Net cash outflow	(167,471)	(2,896,258)

Notes to the Financial Statements (continued)

9 INTANGIBLES

Consolidated	Goodwill £	Technology assets £	Total £
Cost			
At 1 April 2007	–	–	–
On acquisition	3,194,351	1,975,000	5,169,351
At 31 March 2008	3,194,351	1,975,000	5,169,351
Adjustment related to contingent consideration	(133,297)	–	(133,297)
At 31 March 2009	3,061,054	1,975,000	5,036,054
Accumulated amortisation and impairment			
At 1 April 2007	–	–	–
Amortisation charge in the year	–	57,604	57,604
At 31 March 2008	–	57,604	57,604
Amortisation charge in the year	–	98,750	98,750
At 31 March 2009	–	156,354	156,354
Net book value			
31 March 2009	3,061,054	1,818,646	4,879,700
31 March 2008	3,194,351	1,917,396	5,111,747

Impairment testing of goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indicators of impairment. The carrying amount of goodwill is indicated in the table above.

The recoverable amount of Genesis-CNS has been determined based on a value in use calculation using cash flow projections based on the financial budget approved by the Board covering the period to 31 March 2010. The key assumption used for the budget is the revenue opportunity for existing products and in particular, the opportunity for microarray and macroarray-based products. The discount rate applied to cash flows is 14% reflecting the pre-tax weighted average cost of capital (WACC) for the group. The WACC is the weighted average cost of pre-tax cost of debt financing and the pre-tax cost of equity financing. Cash flows beyond the budget period are extrapolated over the next 4 years using a growth rate of 7% that equates to the current rate of growth seen globally in the IVD industry. Thereafter, a nil growth rate has been assumed for prudence. As a result, there has been no impairment to the carrying value of goodwill.

Sensitivity analysis

Base forecasts show significant headroom above carrying value. Sensitivity analysis has been undertaken to assess the impact of any reasonably possible change in key assumptions. There is no reasonably possible change that would cause the carrying value to exceed the recoverable amount.

The adjustment relating to contingent consideration amounting to £133,297 results from a reassessment of the Genesis/CNS earn out. This is further analysed in Note 20. Other than for the adjustment above, there has been no impairment to the carrying value of goodwill.

10 PROPERTY, PLANT AND EQUIPMENT

Consolidated	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2007	81,044	509,284	–	590,328
Additions	–	157,721	–	157,721
On acquisition	49,156	662,314	36,378	747,848
Disposal	–	–	(7,731)	(7,731)
At 31 March 2008	130,200	1,329,319	28,647	1,488,166
Additions	–	134,433	–	134,433
Disposal	–	(398)	(10,479)	(10,877)
At 31 March 2009	130,200	1,463,354	18,168	1,611,722
Accumulated amortisation and impairment				
At 1 April 2007	28,210	454,123	–	482,333
Charge in the year	10,972	47,046	3,536	61,554
On acquisition	13,428	323,233	15,682	352,343
Disposal	–	–	(711)	(711)
At 31 March 2008	52,610	824,402	18,507	895,519
Charge in the year	13,020	69,810	2,654	85,484
Disposal	–	(391)	(8,336)	(8,727)
At 31 March 2009	65,630	893,821	12,825	972,276
Net book value				
31 March 2009	64,570	569,533	5,343	639,446
31 March 2008	77,590	504,917	10,140	592,647

The net book value of plant and machinery held under finance leases at 31 March 2009 is £280,671 (2008: £196,949).

11 INVENTORIES

	2009 £	2008 £
Raw materials	527,509	434,588
Work in progress	121,135	132,406
Finished goods and goods for resale	113,736	60,043
	762,380	627,037

Notes to the Financial Statements (continued)

12 TRADE AND OTHER RECEIVABLES

Consolidated	2009 £	2008 £
Trade receivables	1,070,348	962,617
Prepayments and other receivables	184,615	122,674
	1,254,963	1,085,291

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

Company	2009 £	2008 £
Prepayments and other receivables	42,852	32,818
Due from subsidiary companies	743,419	716,604
	786,271	749,422

Analysis of trade receivables

Consolidated	2009 £	2008 £
Neither impaired nor past due	838,042	579,744
Past due but not impaired	232,306	382,873

Company	2009 £	2008 £
Neither impaired nor past due	743,419	716,604

Ageing of past due but not impaired trade receivables

Consolidated	2009 £	2008 £
Up to 3 months	202,732	325,473
Between 3 and 6 months	23,935	57,400
More than 6 months	5,639	–

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.

13 INTEREST-BEARING LOANS AND BORROWINGS AND FINANCIAL INSTRUMENTS

Consolidated	2009 £	2008 £
Current		
Bank loans	290,710	241,325
Obligations under finance leases	81,594	47,544
	372,304	288,869
Non-current		
Bank loans	726,776	852,124
Obligations under finance leases	136,322	117,914
Other loans	1,012,165	1,006,874
	1,875,263	1,976,912
Bank loans comprise the following:		
£1,017,486 variable rate loan 2012 (base rate + 2.0%: 2008 base rate +2.5%)	1,017,486	1,093,449
	1,017,486	1,093,449
Less current instalments	(290,710)	(241,325)
	726,776	852,124

Consolidated	2009 £	2008 £
Other loans comprise the following:		
Vendor loan – 2014 (base rate)	1,012,165	1,006,874
	1,012,165	1,006,874

The term loans are secured by a floating charge over the assets of the Group. Cross guarantees between Omega Diagnostics Group PLC, Omega Diagnostics Limited, Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited are in place, and Omega Diagnostics Group PLC has given the Bank of Scotland a debenture secured over the assets of the Company. Two Directors have also provided personal guarantees of £100,000 in support of the term loan.

There are two Bank of Scotland term loans of £420,000 (2008: £540,000) and US\$855,540 (2008: US\$1,099,980) repayable in equal monthly instalments of £10,000 and US\$20,370, both with a maturity date of 4 September 2012. In September 2008, the interest margin decreased from 2.5% to 2.0% as the Group remained within all its bank covenants throughout the first year of the loans.

Company	2009 £	2008 £
Current		
Bank loans	290,710	241,325
	290,710	241,325
Non-current		
Bank loans	726,776	852,124
Other loans	1,012,165	1,006,874
	1,738,941	1,858,998
Bank loans comprise the following:		
£1,017,486 variable rate loan 2012 (base rate + 2.0%: 2008 +2.5%)	1,017,486	1,093,449
	1,017,486	1,093,449
Less current instalments	(290,710)	(241,325)
	726,776	852,124

Notes to the Financial Statements (continued)

13 INTEREST-BEARING LOANS AND BORROWINGS AND FINANCIAL INSTRUMENTS (continued)

Company	2009 £	2008 £
Other loans comprise the following:		
Vendor loan – 2014 (base rate)	1,012,165	1,006,874
	1,012,165	1,006,874

14 TRADE AND OTHER PAYABLES

Consolidated	2009 £	2008 £
Trade payables	667,967	346,241
Social security costs	42,582	35,143
Accruals and other payables	161,176	344,941
	871,725	726,325

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.

Company	2009 £	2008 £
Trade payables	91,885	25,016
Accruals and other payables	67,718	224,492
Due to subsidiary companies	396,875	156,089
	556,478	405,597

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.

15 DEFERRED TAXATION

The deferred tax asset is made up as follows:

Consolidated	2009 £	2008 £
Decelerated capital allowances	18,228	35,442
Temporary differences	23,061	1,708
Tax losses carried forward	66,241	87,160
	107,530	124,310
Company	2009 £	2008 £
Tax losses carried forward	–	19,953
Temporary differences	16,214	–
	16,214	19,953

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.

15 DEFERRED TAXATION (continued)

The deferred tax liability is made up as follows:

Consolidated	2009 £	2008 £
Fair value adjustments on acquisition	564,481	579,058
Accelerated capital allowances	10,584	12,308
	575,065	591,366

16 SHARE CAPITAL

Company	2009 number	2008 number
Authorised share capital		
Ordinary shares of 4 pence each	77,500,000	77,500,000
Deferred shares of 0.9 pence each	600,000,000	600,000,000
Issued and fully paid share capital		
At the beginning of the year	14,875,694	123,245,615
Consolidation of shares on 40:1 basis	–	3,081,140
Issued during the year	757,213	11,794,554
At the end of the year	15,632,907	14,875,694
	£	£

Shares allotted for cash

Aggregate nominal value	–	293,333
Share premium	–	1,906,667
Expense of issue	–	(455,889)
Consideration received	–	1,744,111

Shares allotted for non-cash consideration

Aggregate nominal value	30,289	178,449
Share premium	575,482	1,249,142
Increase in issued capital	605,771	1,427,591

Consolidated	2009 number	2008 number
Issued and fully paid share capital		
At the beginning of the year	14,875,694	123,245,615
Consolidation of shares on 40:1 basis	–	3,081,140
Issued during the year	757,213	11,794,554
At the end of the year	15,632,907	14,875,694

Notes to the Financial Statements (continued)

16 SHARE CAPITAL (continued)

	£	£
Shares allotted for cash		
Aggregate nominal value	–	293,333
Share premium	–	1,906,667
Expense of issue	–	(455,889)
Consideration received	–	1,744,111
Shares allotted for non-cash consideration		
Aggregate nominal value	30,289	178,449
Share premium	575,482	1,249,142
Increase in issued capital	605,771	1,427,591

The Company granted warrants to those shareholders in Quintessentially English plc, on the register just prior to the reverse transaction in 2006. These warrants entitle those shareholders to subscribe for a total of 139,710 new ordinary shares. The warrants have an exercise price of 80p per share and an expiry date of 19 September 2009.

During the year, the Company granted options over 1,833,289 ordinary shares at an exercise price of 19p per share. The options will expire if not exercised within ten years of the date of grant.

In accordance with the Omega earn-out, additional shares were issued to the original shareholders of Omega Diagnostics Limited in settlement of the earn-out of £605,771. The number of new ordinary shares issued was 757,213.

17 COMMITMENTS AND CONTINGENCIES**Operating lease commitments**

Future minimum rentals payable under non-cancellable operating leases are as follows:

Consolidated	2009 £	2008 £
Land and buildings:		
Within 1 year	163,374	163,374
Within 2 to 5 years	374,559	537,933
Other:		
Within 1 year	10,599	10,546
Within 2 to 5 years	22,311	23,906
After 5 years	–	1,800

Land and buildings leases in force for Omega Diagnostics Ltd premises extend to June 2011, at which point they may be re-negotiated. The land and buildings leases in force for the premises of Genesis Diagnostics Ltd and Cambridge Nutritional Sciences extend to March 2013, at which point they may be re-negotiated.

Other leases are in force for office equipment items and extend to time periods ranging from June 2009 to March 2014. The leases may be extended at the expiry of their term.

Performance bonds

The Group has performance bonds and guarantees in place amounting to £30,000 at 31 March 2009 (2008: £30,000).

18 RELATED PARTY TRANSACTIONS

Remuneration of key personnel

The remuneration of the Directors, who are the key management personnel of Omega Diagnostics Group PLC, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2009 £	2008 £
Short-term employee benefits	265,462	181,250
Share-based payments	77,948	–
Post-employment benefits	13,458	5,250
	345,388	186,500

Included within short-term employee benefits are amounts paid to MBA Consultancy of £25,000 (2008: £nil), a company controlled by David Evans and £16,250 (2008: £15,000) to Alberdale Catalyst Ltd, a company controlled by Michael Gurner.

Other related party transactions

During the year there have been transactions between the parent Company, Omega Diagnostics Limited, Genesis Diagnostics Limited and Cambridge Nutritional Sciences, largely relating to payment of fees. The amounts outstanding at the year end are as follows:

At 31 March 2009	ODG £	ODL £	Genesis £	CNS £
Omega Diagnostics Group PLC (Entity)	–	(743,419)	187,660	209,215
Omega Diagnostics Limited	743,419	–	59,394	(7,163)
Genesis Diagnostics Limited	(187,660)	(59,394)	–	(96,035)
Cambridge Nutritional Sciences Limited	(209,215)	7,163	96,035	–

At 31 March 2008	ODG £	ODL £	Genesis £	CNS £
Omega Diagnostics Group PLC (Entity)	–	(716,604)	34,032	122,057
Omega Diagnostics Limited	716,604	–	14,740	(10,000)
Genesis Diagnostics Limited	(34,032)	(14,740)	–	40,057
Cambridge Nutritional Sciences Limited	(122,057)	10,000	(40,057)	–

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

	2009 £	2008 £
Balance at 1 April 2008	560,515	111,753
Charges to subsidiary companies	959,658	644,302
Charges from subsidiary companies	(290,286)	(180,958)
Transfers of cash to subsidiary companies	802,509	665,418
Transfers of cash from subsidiary companies	(1,685,851)	(680,000)
Balance at 31 March 2009	346,544	560,515

Related party transactions in connection with the aborted transaction are disclosed in Note 19 below. There were no balances outstanding at the year end. Note 13 discloses personal guarantees made by two of the Directors in support of the bank term loan. Under the Omega earn-out (see Note 16), two of the Directors were issued with 420,567 ordinary shares in the Company with a market value of £127,222 at the time of issue.

Notes to the Financial Statements (continued)

19 EXCEPTIONAL ITEMS

Exceptional administration costs

During the year to 31 March 2009, the Company was involved in the planned acquisition of another company which required the Company to raise new funds to complete the acquisition. The funding environment deteriorated throughout the process, due to the turmoil in worldwide financial markets and, in early November, the Company concluded that due to these challenging circumstances it was not possible to raise sufficient funds to complete the transaction. The Company incurred costs of £265,920 in connection with the aborted transaction but it was able to significantly reduce the impact of these costs to 30% of the total by obtaining indemnities from third parties for 70% of these costs. Among these third parties were Dr Mike Walker and David Evans who agreed to cover 30% and 10% of the costs respectively under an agreement entered into on 3 September 2008. As a result the financial impact of the aborted transaction to the Company has been limited to £80,301. Due to the one-off nature and value of these costs, they are separately disclosed and treated as an exceptional item in the income statement so that they do not impact on the results from normal trading operations.

20 OTHER FINANCIAL LIABILITIES

Consolidated and Company	£
Earn-out relating to Omega	
As at 1 April 2007	705,112
Fair value adjustment through finance costs	64,888
Fair value adjustment through administration costs	(164,228)
Earn-out relating to Omega as at 31 March 2008	605,772
Earn-out relating to Genesis-CNS acquisition during the year	329,540
As at 31 March 2008	935,312
As at 1 April 2008	935,312
Fair value adjustment to Genesis-CNS earn-out through finance costs	41,173
Fair value adjustment to Genesis-CNS earn-out through goodwill	(133,296)
Genesis-CNS earn-out paid in year	(105,837)
Shares allotted for non-cash consideration to settle Omega earn-out	(605,772)
As at 31 March 2009	131,580

The earn-out relating to Genesis/CNS amounting to £131,580 is contained within current financial liabilities.

21 INVESTMENTS

Company

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

	2009 £	2008 £
Investment in Omega Diagnostics Limited	1,752,884	1,752,884
Investment in Genesis Diagnostics Limited	1,845,065	1,933,930
Investment in Cambridge Nutritional Sciences Limited	4,078,274	4,122,706
Investment in Bealaw (692) Limited	1	1
Investment in Bealaw (693) Limited	1	1
	7,676,225	7,809,522

The movement in the cost of the investment in Genesis Diagnostics Ltd of £88,865 reflects the change to the earn-out calculation under IFRS 3. The movement in the cost of the investment in Cambridge Nutritional Sciences Ltd of £44,432 reflects the change to the earn-out calculation under IFRS 3. Bealaw (692) Limited and Bealaw (693) Limited are both dormant companies which have never traded.

22 EARNINGS PER SHARE

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

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

	2009 £	2008 £
Net profit attributable to equity holders of the Group	221,041	237,515
	2009 Number	2008 Number
Basic average number of shares	15,356,991	9,921,322
Omega earn-out	–	757,213
Diluted weighted average number of shares	15,356,991	10,678,535

Earnings per share before exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and the expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

To this end, basic and diluted earnings per share are also presented on this basis using the weighted average number of ordinary shares, both basic and diluted.

Net profit before exceptional items attributable to equity holders of the Group is derived as follows:

	2009 £	2008 £
Net profit attributable to equity holders of the Group	221,041	237,515
Exceptional items	80,301	–
Profit before exceptional items attributable to equity holders of the Group	301,342	237,515

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loans, finance leases 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 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 buys and sells goods and services in currencies other than the functional currency of its operations. The Group has US dollar and euro denominated bank accounts. Where possible, the Group will offset currency exposure where purchases and sales can be made from these foreign currency bank accounts. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is Group policy not to engage in any speculative transaction of any kind. As at 31 March 2009, the Group has not entered into any hedge transactions.

Notes to the Financial Statements (continued)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	Decrease in currency rate	Effect on profit before tax and equity £
2009		
Trade and other receivables	5%	15,626
Trade and other payables	5%	(7,510)
Cash and cash equivalents	5%	16,452
Bank loans	5%	(31,447)
2008		
Trade and other receivables	5%	8,147
Trade and other payables	5%	(3,800)
Cash and cash equivalents	5%	12,777
Bank loans	5%	(29,129)

An increase in currency rate of 5% would have a similar opposite effect. The sensitivity around bank loans above represents the entire impact on the Company's profit before tax and equity.

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. Credit worthiness checks are undertaken before entering into contracts with new customers, and credit limits are set as appropriate. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Capital management

An explanation of the Group's capital management process and objectives is set out in the Capital management section on page 18 of the Financial Review.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility of working capital arrangements through the use of bank loans. The Group also maintains its available financial assets to ensure continued liquidity.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2009 based on the undiscounted cash flows of liabilities based on the earliest date on which the group can be required to pay.

Consolidated	Less than 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
2009					
Trade and other payables	829,143	–	–	–	829,143
Obligations under finance lease	20,902	60,692	136,322	–	217,916
Bank loans	78,784	233,686	749,135	–	1,061,605
Vendor loan	–	–	733,334	478,337	1,211,671
	928,829	294,378	1,618,791	478,337	3,320,335
2008					
Trade and other payables	629,548	61,634	–	–	691,182
Obligations under finance lease	11,536	36,008	117,914	–	165,458
Bank loans	75,367	222,207	932,957	–	1,230,531
Vendor loan	–	–	366,666	1,239,128	1,605,794
	716,451	319,849	1,417,537	1,239,128	3,692,965

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2009 based on the undiscounted cash flows of liabilities based on the earliest date on which the Company can be required to pay.

Company	Less than 3 months £	3 to 12 months £	1 to 5 years £	More than 5 years £	Total £
2009					
Trade and other payables	556,478	–	–	–	556,478
Bank loans	78,784	233,686	749,135	–	1,061,605
Vendor loan	–	–	733,334	478,337	1,211,671
	635,262	233,686	1,482,469	478,337	2,829,754
2008					
Trade and other payables	405,597	61,634	–	–	467,231
Bank loans	75,367	222,207	932,957	–	1,230,531
Vendor loan	–	–	366,666	1,239,128	1,605,794
	480,964	283,841	1,299,623	1,239,128	3,303,556

Interest rate risk

All of the Group's borrowings are at variable rates of interest. The Group has an exposure to interest rate risk on changes in US dollar and sterling interest rates. To manage the interest rate risk, the Group has taken out interest rate hedge instruments relative to the two bank loans listed below which will be repaid by September 2012. The change in fair value of these interest rate hedge instruments has been taken to the income statement in full.

Notes to the Financial Statements (continued)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Consolidated	Increase in basis points	Effect on profit before tax and equity £
2009		
Cash and cash equivalents	25	(1,406)
Bank loans	25	(2,639)
Vendor loan	25	(2,750)
2008		
Cash and cash equivalents	25	(1,113)
Bank loans	25	(1,442)
Vendor loan	25	(1,604)

A decrease of 25 basis points would have a similar opposite effect.

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

Company	Increase in basis points	Effect on profit before tax and equity £
2009		
Cash and cash equivalents	25	(240)
Bank loans	25	(2,639)
Vendor loan	25	(2,750)
2008		
Cash and cash equivalents	25	(829)
Bank loans	25	(1,442)
Vendor loan	25	(1,604)

A decrease of 25 basis points would have a similar opposite effect.

Fair values

The carrying amount for all categories of financial assets and liabilities disclosed on the balance sheet and in the related notes to the accounts is equal to the fair value of such assets and liabilities as at both 31 March 2009 and 31 March 2008. 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 valuation methods used to fair value the financial assets and liabilities have been disclosed in Note 3 of the Notes to the Financial Statements under the heading of Financial instruments.

The carrying amount recorded in the balance sheet of each financial asset as at 31 March 2009 and 31 March 2008, including derivative financial instruments, represent the Group's maximum exposure to credit risk.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Derivative financial instruments

Consolidated and Company	2009 £	2008 £
Included in non-current assets		
Interest rate instruments	599	3,419
Included in non-current liabilities		
Interest rate instruments	10,700	3,649

The derivative financial instruments comprise:

- a) an interest rate cap of 5.5%, the floating rate option being Bank of England daily base rate.
- b) an interest cap and floor of 5.0% and 2.25% respectively, the floating option rate being USD-Libor.

The Group does not hold or issue derivatives for speculative or trading purposes.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of the Company, Omega House, Hillfoots Business Village, Alva FK12 5DQ on 27 August 2009 at 11am for the following purposes:

Ordinary business

1. To receive the reports of the Directors and the Auditors and the audited accounts for the year ended 31 March 2009.
2. To reappoint Ernst & Young LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
3. To re-elect Mr Michael Gurner as a Director of the Company.
4. That the Directors be and are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (Act) to exercise all powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £312,658.12, provided that this authority shall (unless renewed, varied or revoked by the Company in general meeting) expire at the completion of the next following annual general meeting of the Company, but the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution of all previous authorities conferred upon the Directors pursuant to section 80 of the Act, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

Special business

5. That subject to the passing of resolution 4 the Directors be and they are empowered pursuant to section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (as defined in the Act) wholly for cash pursuant to the authority conferred by resolution 4 and/or where the allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act, as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (i) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (ii) otherwise than pursuant to sub-paragraph (i) above up to an aggregate nominal amount of £213,797.44 and shall expire at the completion of the next following annual general meeting of the Company, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board

Kieron Harbinson

Company Secretary
6 July 2009

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A proxy need not be a member of the company.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's Registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, West Street, Farnham, Surrey GU9 7LL, so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. Copies of contracts of service of directors with the company or with any of its subsidiary undertakings, will be available for inspection at the registered office of the company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the company's register of members not later than 25 August 2009 or, if the meeting is adjourned, shareholders entered on the company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

Registered in England and Wales number 5017761

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Auditors

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Solicitors

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Share Registrar

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PR

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4 Lombard Street
London EC3V 9HD

Country of Incorporation**Omega Diagnostics Group PLC**

England & Wales
Registered No. 5017761

www.omegadiagnostics.com



Omega Diagnostics Group PLC

Subsidiary Companies are Omega Diagnostics Ltd, Genesis Diagnostics Ltd and Cambridge Nutritional Sciences Ltd

Omega Diagnostics Group PLC

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Omega Diagnostics Ltd

Formed in 1987, ODL specialises in infectious diseases, particularly Syphilis, TB and Dengue Fever.

www.omegadiagnostics.com



Genesis Diagnostics Ltd

Formed in 1994, Genesis is one of the UK's leading manufacturers of high quality ELISA based diagnostic kits. The Company specialises in the research, development and production of kits to aid the diagnosis of autoimmune and infectious diseases, and for the detection of immune reactions to food.

www.elisa.co.uk



Cambridge Nutritional Sciences Ltd

Formed in 2001, CNS provides clinical analysis to the general public, clinics and health professionals as well as supplying the consumer Food Detective™ test.

www.cambridge-nutritional.com