In Good Health

Omega Diagnostics Group PLC

Annual Report and Accounts 2010

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.

Our business

Omega is one of the UK's leading companies in the fast growing area of food intolerance testing and also specialises in tests for autoimmune diseases (including anaemia, connective tissue disease and renal disease), and infectious diseases (including Syphilis, TB, Dengue Fever, Chagas disease and Malaria). Omega has a strong distribution network, exporting to over 100 countries.

Food intolerance P2

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.

Autoimmune disease P4

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.

Infectious disease P6

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.

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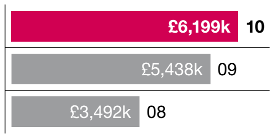
IBC Advisers

The Highlights of 2010

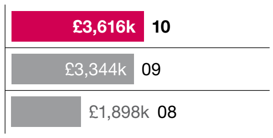
Sales

+14%



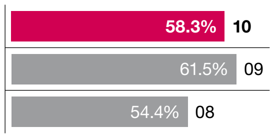
Gross Profit

+8%



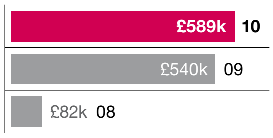
Gross Profit Margin

58%



Adjusted PBT*

+9%



Reported revenue up 14%

Gross profits up 8%

Adjusted PBT* up 9%

Macroarray based Food Detective™ kit sales up over 150%

* Adjusted PBT is derived by taking headline profit before tax of £210k (2009: £267k) and adding back IFRS-related net discount charges of £92k (2009: £16k), amortisation of intangible assets of £109k (2009: £99k), share-based payment charges of £178k (2009: £78k) and exceptional cost of nil (2009: £80k).

Total Revenue

+14%

Our Markets

Total Sales

£2.96m
31 March 2010

£2.26m
31 March 2009

Total Sales (% increase)

+31%

Food intolerance

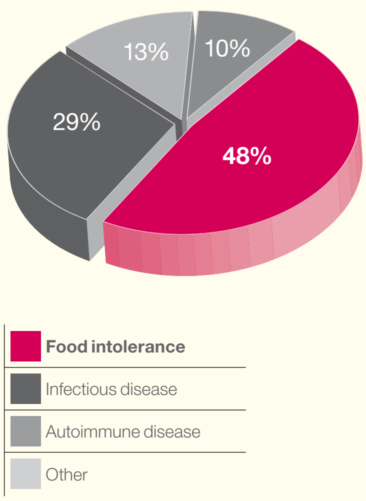
What is food intolerance?

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.

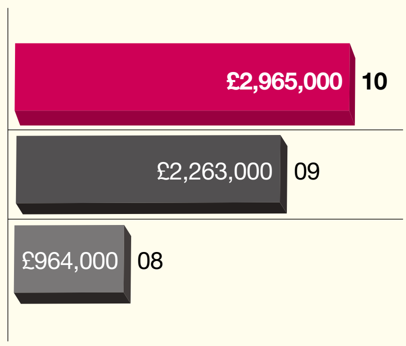
Product information

Tests patients for reactions to different foods.

**% Group Sales
31 March 2010**



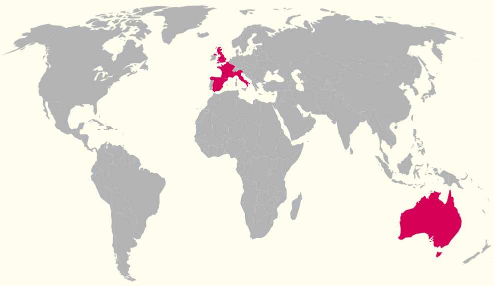
**Sales
Food Intolerance**



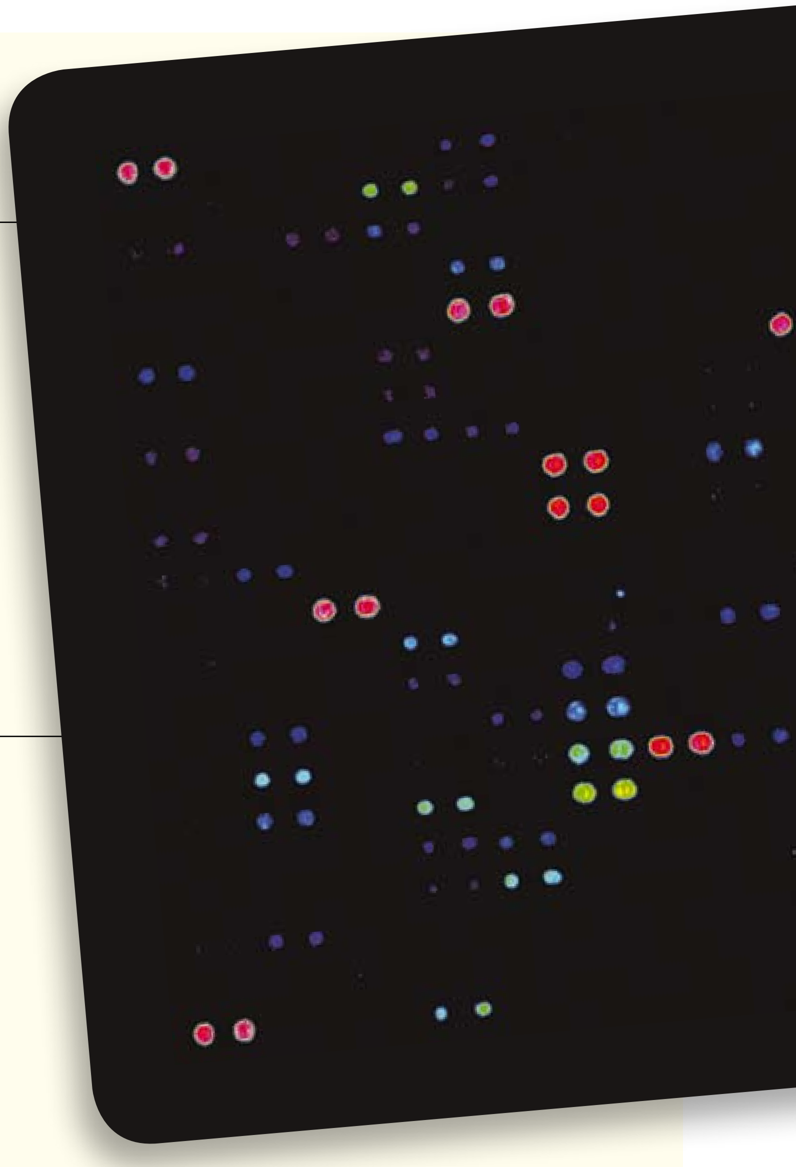
Our Products Across the Globe

• Spain • UK • Australia
• Italy • France

Global Reach



+31% Growth



Allergy UK

"It is estimated that up to 45% of the UK population has a food intolerance"

Our Markets

Total Sales

£0.66m	**£0.63m**	**Total Sales (% increase)**
31 March 2010	31 March 2009	**+5%**

Autoimmune disease

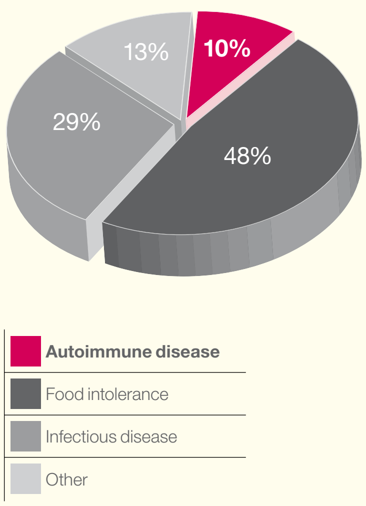
What are autoimmune diseases?

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.

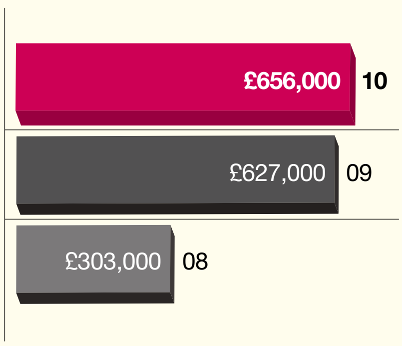
Product information

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

% Group Sales
31 March 2010



Sales
Autoimmune Disease



Our Products Across the Globe

• Iran • Italy • UK
• India • Australia

Global Reach

+5% Growth

Our Markets

Total Sales

£1.79m
31 March 2010

£1.83m
31 March 2009

Total Sales (% decrease)

-2%

Infectious disease

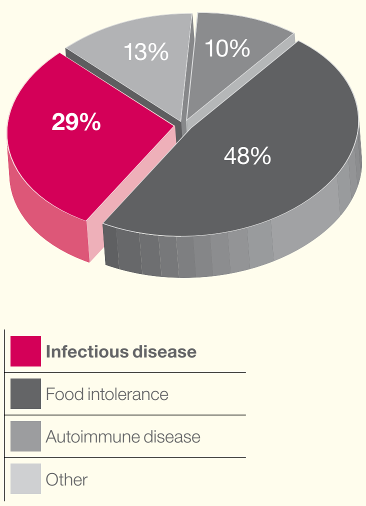
What are infectious diseases?

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.

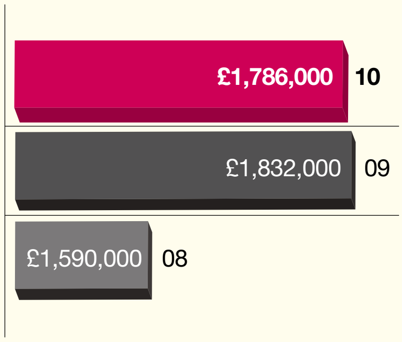
Product information

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.

% Group Sales
31 March 2010



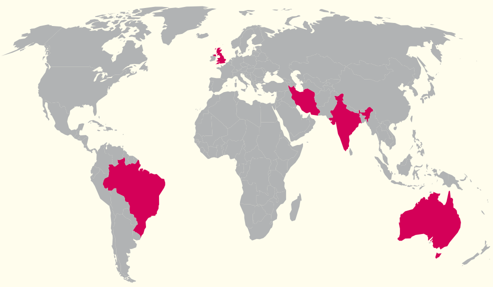
Sales
Infectious Diseases



Our Products Across the Globe

• India • UK • Brazil • Australia • Iran

Global Reach



-2% Growth

Our Markets

Cambridge Nutritional Sciences (CNS)

8
Countries by 2008

23
Countries by 2009

42
Countries by 2010

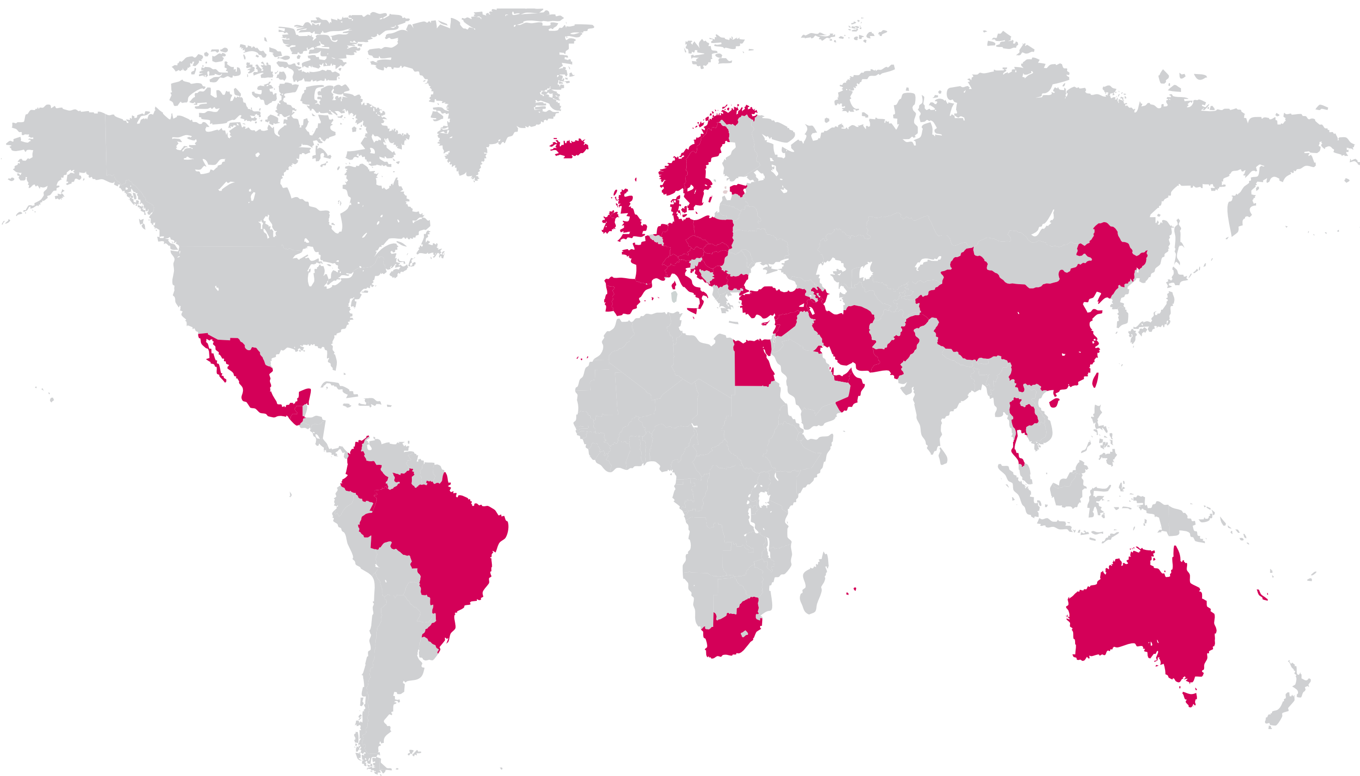
Genesis

25
Countries by 2008

34
Countries by 2009

39
Countries by 2010

Distribution Network for Food Detective



42
CNS have now sold into 42 countries

39
Genesis have now sold into 39 countries

Our Strategy

% Group Product Breakdown

48%	**10%**	**29%**	**13%**
Food intolerance	Autoimmune disease	Infectious disease	Other

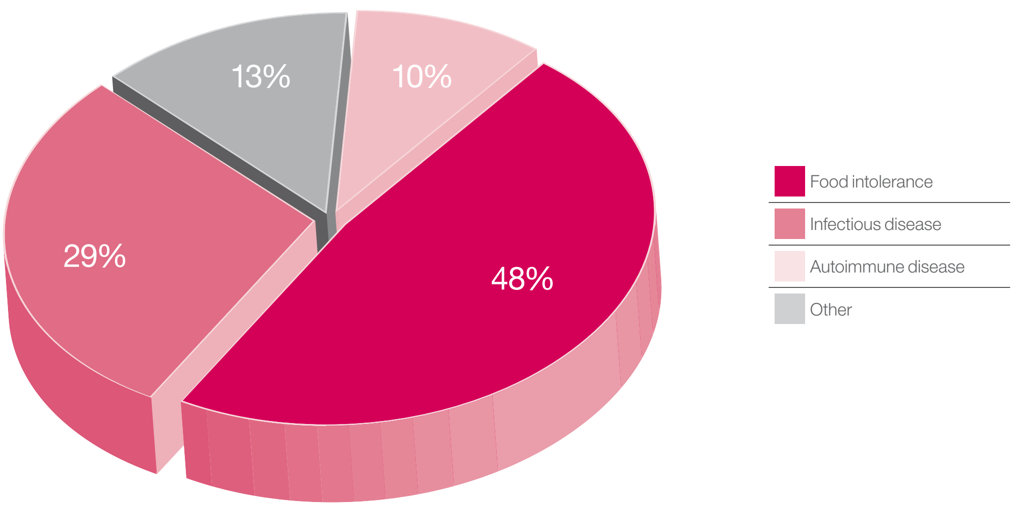
Our Strategy for Growth

Strategy = Organic Growth + Acquisitions

Strategy

Our global distribution network and increasing routes to market have been crucial to our success this year. We now have a significant presence in the food intolerance testing market but opportunities still exist for more expansion in this area and other high-growth niche markets such as IgE Allergy testing.

% Group Sales
31 March 2010



Chairman's Statement

Dear Shareholder
I am pleased to report the progress we have made throughout the Group, both in delivering organic growth from existing products and the completion of a small acquisition in the year.

Strategy
The Group has achieved another year of solid progress where the in-house strength of being able to build successful distribution relationships has led to further growth for key products. Food Detective™ has performed particularly strongly where its market positioning, focussed on the professional nutritionist market in the UK and abroad, has enabled growth into over 40 countries. The Genarrayt™ microarray assay system continues to offer laboratories superior performance over conventional microplate formats and is now being used in all five continental regions we report on. These two products were key in delivering growth following the acquisition of Genesis-CNS and it is pleasing to report their ongoing success. Future growth will also be dependent on our ability to use the microarray platform for tests other than for food intolerance, and our ability to identify and execute on other opportunities will be key to this.

We also successfully achieved the opportunistic acquisition of Co-Tek (South West) Ltd in September last year which, prior to its acquisition, was already a supplier to the Group through an intermediary company. Bringing Co-Tek into the fold has put us in a position of being able to supply part of the range of infectious disease products on a more competitive basis.

We are grateful for the support from existing and new shareholders in supporting the £1m fundraising for this transaction and we continue to review suitable acquisition opportunities in recognition of a need to transform ourselves if we are truly to deliver shareholder and stakeholder value and benefits.

Financial
Turnover for the Group increased to £6.2 million (2009: £5.4 million), up 14% over last year. We are pleased with the achievement of this result against an economic backdrop that has been challenging for many, and we will continue to ensure a wide geographic coverage for our products to mitigate this risk as far as possible.

The Group achieved an EBITDA of £698k (2009: £915k) before exceptional items and share-based payment charges. The relative strength of sterling against the US dollar compared to the previous year led to a turnaround in foreign exchange differences on trading activities of £122k, with a loss this year of £28k (2009: £94k gain). The remaining difference of £95k arises on the increase in gross profit of £272k being offset by increased investment in operational costs of £367k, driven largely by an increase in sales and marketing costs to support the increased sales growth I have referred to above.

We consistently report on adjusted profit before tax so shareholders can easily gauge our performance as compared to external market forecasts. The Group achieved an increase in adjusted profit before tax to £589k (2009: £540k). This figure is arrived at by taking headline profit before tax of £210k and adding back analyst-adjusted items including IFRS-related net discount charges of £92k, amortisation of intangible assets of £109k and share-based payment charges of £178k.

"Turnover has continued its growth of recent years, climbing to £6.2 million representing an increase of 14% over last year."

David Evans
Non-executive Chairman

Net finance costs have reduced significantly to £97k (2009: £306k) for two reasons. Firstly, the benign environment for interest rates has seen the UK base rate at 0.50% throughout the year which has led to a reduction in net interest on borrowings and secondly, the strengthening of sterling against the US dollar has the opposite effect leading to translation gains on US dollar borrowings.

Profit after tax amounted to £187k (2009: £221k) which resulted in earnings per share of 1.0p versus earnings per share of 1.4p in the previous year.

Balance sheet

The Group has intangible assets of £5.2 million (2009: £4.9 million) at the year-end comprised of goodwill of £3.3 million and intangible assets of £1.8 million, separately identified in line with current IFRS. The Group performs annual impairment reviews 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 £1.26 million from £1.64 million as the Group continues to generate cash in excess of servicing its borrowings.

Research and development

It is our aim to widen the use of our microarray platform into areas capable of delivering increased value, to mirror successes seen with the food intolerance assays, which will require an increase in production capacity. Last year we embarked upon a project to upgrade the method to manufacture array slides. This project had certain technical issues and, whilst progress was made, the equipment supplier was unable to resolve all the issues to our satisfaction and we took the difficult decision to terminate the project for our existing food intolerance assays. We have since sourced increased capacity for the tried-and-tested method and are comfortable with the capacity now available for production needs. Future development needs can, to a large extent, be met from existing capacity. However, we believe that by working in conjunction with the supplier we can resolve the technical issues so that non-contact printing can be commissioned for future intended applications.

Board and employees

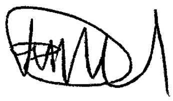
As announced during the year, Geoff Gower joined the Board on 22 December 2009. Geoff joined the Group in May 2009 as the Managing Director of Genesis and CNS and his experience in operations and general management of diagnostics companies will no doubt be of benefit for our future aims.

I know the results achieved for the year don't happen automatically and I would like to thank all employees for their hard work where, in the second half in particular, much effort was made in delivering results in line with expectations.

Outlook

Trading in the first three months of the year is in line with current management expectation.

We continue to review acquisition opportunities to transform the Group and whilst there can be no guarantee of completing any transaction, I hope to be able to update you with progress on this element of our strategy during this financial year. ■



David Evans, CA
Non-executive Chairman
15 July 2010

Chief Executive's Review

Strategy update

Our global distribution network and increasing routes to market have been crucial to our success this year, despite some issues with the microarray production technology. We now have a significant presence in the food intolerance testing market but opportunities still exist for more expansion in this area. While we continue to see good organic growth with both the Genarrayt™ microarray and Food Detective™ macroarray technologies, organic growth alone is not sufficient to see the change that we all wish to see.

Acquisitive growth to ensure transformational change is key for the year ahead and we believe that good value propositions exist that can deliver growth.

I am pleased to report that the Group has seen an increase in revenue for the year to £6.20 million, some 14% ahead of last year's figures (2009: £5.44 million). Revenue increased in two of the three key areas of product application with the exception of infectious disease tests.

Infectious disease tests
Sales of infectious disease tests decreased to £1.79 million (2009: £1.83 million) for the year representing a decline of 2.0% which was due to lost tender business in a key market in the Middle East. The small acquisition of Co-Tek (South West) Ltd in late September 2009 gave the Group a secure supply of low-cost bacterial diagnostic tests. Prior to the acquisition they had been exclusively supplying one of our competitors, who in turn had been supplying us. They, in turn, had been acquired by another competitor in a consolidation deal, so threatening our supply. Our ability to capture and control the supply chain, with decreased costs, has provided us with more competitive pricing for our international markets. We therefore expect better results in the year ahead as we access larger volume business with international tenders which traditionally have longer lead times. We have also seized the opportunity to conclude a long-term supply agreement with the former supplier which secures sales going forward.

Food intolerance
Food intolerance testing has seen a growth of 31% in the year resulting in sales of £2.96 million. (2009: £2.26 million).

For the Genarrayt™ laboratory system and on-going reagent sales, we have seen growth in sales to £1.04 million (2009: £0.72 million). This growth has been achieved by the installation of 15 new systems into a further eight territories as well as increasing the number of installed systems in countries already active with Genarrayt™. This now brings the total number of installed systems up to 57 since launch. Sales of Genarrayt™ food intolerance systems reached £212k (2009: £146k) with sales of reagent kits reaching £828k (2009: £574k).

As with the Genarrayt™ system, the Food Detective™ test for food intolerance has seen sales rise to £790k (2009: £314k) with sales into many new countries around the world. The number of countries where we have now sold product has increased to 46 (2009: 18), resulting in an increase in volumes of approximately 150% to 34,241 kits (2009: 13,392). Additional distributors from other countries are in discussion and product registration has recently been achieved in Brazil, one of the Group's largest single markets and a key strategic market going forward. Registration in China is proceeding but the timescale for completion is somewhat indeterminate given the complex regulatory environment existing in that country.

The UK market has also seen a doubling in sales to £216k (2009: £104k) following a promotional campaign and by opening up sales to professional re-sellers. In addition, the testing services for food intolerance and other related tests have shown an increase in business to £371k (2009: £314k) and further development of this side of the business is anticipated.

"We have continued to increase sales of key products, particularly in food intolerance testing, through further expansion of our global distribution network and we are going to build upon this success by the introduction of new products in high-value markets."

Andrew Shepherd
Chief Executive

Chief Executive's Review
(continued)

Autoimmune tests
Sales of autoimmune tests increased by 5% to £660k (2009: £630k) with growth restrained by the fact that the tests are manual assays without a dedicated equipment platform. In a market that is increasingly becoming controlled by 'closed systems', i.e. tests that can only be used on dedicated equipment, we do not see this area as a source for major growth in the future although some work has been done on adapting several of the tests to be able to work on other companies 'open systems', i.e. equipment that will allow the use of any manufacturer's test kits.

While the application of the Genarrayt™ microarray technology to autoimmune disease testing had been considered, better prospects for the application of this technology have emerged (see Research and development).

Distribution network
The Group's strength in distribution has seen it record growth in all geographic regions into which it sells. Apart from South and Central America, all other regions showed double-digit growth in percentage terms, growth which we expect to continue as we see a further roll out of Genarrayt™ systems and increased sales traction of Food Detective™ with existing distributors.

One area of business under development is the partnership with regional affiliated laboratories who offer food intolerance tests under the CNS name using the Genarrayt™ assay system and FoodPrint™ results trademark. This allows local provision of food intolerance tests in countries where, until recently, customers had to send their samples either to Europe or the US at great expense and with a long time delay. This aspect of market expansion is starting to take hold in the Middle East and we plan to extend this side of the business to other geographical areas throughout the year.

Research and development
In early 2009 we invested in a high throughput, non-contact microarray printer to handle the expected increase in Genarrayt™ business. Unfortunately, several technical issues prevented the equipment coming into routine production and the supplier was unable to resolve them to our satisfaction. In December 2009 we made the decision to retain the previous contact printing method whilst trying to resolve the outstanding technical issues with the new equipment. Although slightly less efficient than the non-contact printer, this meant we could continue production and supply of Genarrayt™ kits. By the end of March 2010, it was clear that the issues could not be resolved to our satisfaction and the decision was taken to remain with the established method for producing food intolerance arrays. In order to increase capacity of the array slides we have invested in additional contact printers which have also improved our yield. We are confident that future anticipated growth of Genarrayt™ products will be unaffected by the decision to stay with the contact printing method for the immediate future and manufacturing capacity is now secured for next year.

During the year most of the R&D resource was allocated to production and product support duties so the ability to develop new products was reduced. However, with resolution to production capacity issues we expect to be able to spend more time developing additional products on the Genarrayt™ microarray platform. We aim to deliver new variants of the IgG Genarrayt™ food intolerance assay to be able to compete better with our competitors and these will also include food additives which, until now, have not been included on the array. Several projects for new product development have been initiated which we expect to positively impact in the new financial year.

The IgE Allergy testing market has been identified as a high-value niche market for application of the Genarrayt™ microarray technology. This will require the development of a ‘closed system’ which fully automates the test procedure and opportunities for collaboration with instrumentation companies are being explored. Adaptation of existing testing platforms for the arrays will mean reduced time to market, less development risk and cost. Work was completed on a Chinese variant of the Food Detective™ macroarray test and an Indian variant is planned for the near future which we expect to launch following the completion of product registration formalities.

Outlook

The outlook for the new financial year is encouraging and we continue to review promising opportunities, both organic and acquisitive. The market for the Group’s products continues to expand despite local difficulties in some eurozone countries. The major growth in the world IVD market, in particular, in countries such as India, China and Brazil, should compensate for any reduction in sales in problematic markets, which is one of the key strengths of the Group’s global distribution network. ■

Andrew Shepherd
Chief Executive
15 July 2010

“We aim to deliver new variants of the IgG Genarrayt™ food intolerance assay to be able to compete better with our competitors and these will also include food additives which, until now, had not been included on the array.”

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

Financial Review

The Group has achieved 14% growth in sales for the year with a particularly strong performance in the second half.

The Group has reported an adjusted profit before tax of £589,511 (2009: £540,439). The Group reports on adjusted profit before tax (excluding IFRS-related items of share-based payment charges, amortisation of intangible assets and discount charges) to provide a better understanding of the results of our normal trading activities compared to external research forecasts.

Trading activities

Revenue

Revenue for the year was £6,198,742 representing an increase of 14% over the previous year (2009: £5,438,313) and includes growth in all five major continental regions. In particular, the growth of Genarrayt™ systems and Food Detective™ kits for food intolerance has underpinned much of this.

Gross profit

Gross profit for the year was £3,616,220 (2009: £3,344,264) resulting in a gross margin percentage of 58.3%% (2009: 61.5%). As explained at the time of the interim results, some suppliers have increased costs due to the economic environment but internally, the Group has also increased operational headcount to cope with increased demand. The margin has been maintained during the second half of the year where the Group sold more Genarrayt™ systems than it originally expected and, whilst these provide a useful source of revenue, they are sold at lower margins. The substantial growth in Food Detective™ volumes has also driven revenue growth but the mix between these sales and those from the laboratory services division is weighted towards a lower margin than otherwise would be the case.

Administration costs

Administration costs, excluding exceptional costs, have increased by £382,686 to £2,508,608 (2009: £2,125,922). A relatively small foreign exchange loss on trading activities in the year of £28,146 (2009: £94,652 gain) represents an increased charge of £122,798 over the previous year. Share-based payments charges have increased by £100,427 representing the larger one-year vesting period for options granted in December 2008 that falls within the current year. Other administrative increases of £159,461 reflect increased headcount, general increases to salaries across the Group and the acquisition of the Co-Tek business during the year.

There were no exceptional costs during the year (2009: £80,301) as there were in the previous year relating to an aborted acquisition opportunity. Costs of £80,978 related to the acquisition of Co-Tek were treated as an acquisition cost in line with IFRS 3 Business Combinations. It should be noted that this Standard has since been revised so that future acquisition costs will be accounted for through the statement of comprehensive income.

Selling and marketing

The increase in expenditure of £235,009 reflects the investment in sales and marketing targeted activities including the appointment of two senior positions to support the expanded distribution network.

Research and development

Included within administration costs is expenditure on research and development activities which in the year amounted to £209,747 (2009: £226,068). It was disappointing to terminate the project to upgrade the manufacturing procedure for printing Genarrayt™ array slides, but we have taken steps to ensure sufficient production and development capacity exists with the proven contact printing method. The technical issues encountered with the intended upgrade to non-contact printing meant reduced resources being allocated to other product development activities. Nevertheless, progress has been achieved towards providing alternative versions of the Food Detective™ kit, tailored for specific diets in other parts of the world.

Operating profit

The Group generated an operating profit of £307,480 (2009: £572,968) and the reasons for the reduction in this measure are highlighted above under Administration costs and Selling and marketing costs.

Profit before tax

The profit before tax was £210,008 (2009: £266,893). However, as highlighted in the Chairman's Statement, the Group also reports adjusted profit before tax to provide shareholders with the measure of profit for a better comparison with external market forecasts. The adjusted profit before tax for the year was £589,511 (2009: £540,439) after adding back share-based payment charges of £178,375 (2009: £77,948), intangible asset amortisation of £108,750 (2009: £98,750), IFRS-related discount factors of £92,378 (2009: £16,547) and exceptional costs of £nil (2009: £80,301).

Finance costs reduced significantly in the year to £97,909 (2009: £312,232) with the reduction principally being due to lower interest charges where the UK base rate has remained at 0.5% throughout the year and a currency gain of £41,978 (2009: £188,295 loss) on US dollar borrowings due to the relative strengthening of sterling against the US dollar.

Taxation
There is a tax charge of £22,909 (2009: £45,852) in the year, comprising a charge for current tax of £33,177 (2009: £51,160) and a deferred tax credit of £10,268 (2009: £5,308 credit) equating to an effective tax rate of 10.9% (2009: 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 1.0p (2009: 1.4p) reflecting the higher average number of shares in issue throughout the year. Basic EPS before exceptional costs was 1.0p (2008: 2.0p).

Acquisitions
Acquisition of Co-Tek (South West) Limited
On 28 September 2009, the Group completed the acquisition of Co-Tek, a company supplying bacterial infection tests, for a cash consideration of £400,000 plus related acquisition costs of £80,978. There was a small cash balance of £1,554 in Co-Tek at completion giving a net cash outlay of £479,424.

Deferred consideration payments
On 10 March 2010, the Company made a final payment of £101,275 in settlement of the agreed earn-out targets in respect of the acquisition of Genesis and CNS. This sum, together with the net outlay on the acquisition of Co-Tek has been included on the consolidated cash flow statement under outflow on acquisition of subsidiary.

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. The Company continues to hold a portion of its borrowings in US dollars where this loan can be serviced from a net surplus of US dollars generated from its trading activities. The relative strengthening of sterling against the US dollar throughout the year has given rise to a foreign exchange translation gain of £41,978 on these borrowings (2009: £188,295 loss). In part, this has been offset by the loss of £28,146 (2009: £94,652 gain) referred to above under Administrations costs.

Interest rate management
Following conversion of a part of the sterling loan into US dollars, 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 gain through the income statement of £2,580 (2009: £9,871 charge). Accordingly, at the balance sheet date, the Group had assets of derivative financial instruments of £196 (2009: £599) and liabilities of derivative financial instruments of £7,717 (2009: £10,700).

Financing
The Group successfully raised £1 million of new equity in September 2009 to fund the acquisition of Co-Tek and to provide additional working capital. The issue was oversubscribed which provided the opportunity for Dr Mike Walker, the vendor of Genesis and CNS, to have his shares placed with new institutional shareholders. After expenses incurred with the share issue of £80,807 the net funds raised amounted to £919,193.

Cash flow
Net cash inflow for the year was £66,246 (2009: £100,043) which meant that at the year end, the Group had cash and cash equivalents of £678,800 (2009: £612,554). Cash generated from operations of £212,283 (2009: £668,276) is lower than last year due mainly to the record high sales figure achieved in March 2010. As such, the reported increase in trade receivables has reversed itself following the end of the year as cash has been collected.

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. Acquisition payments and financing have been referred to in the Cash flow section so that in total, the Group's net debt position has decreased to £1,258,375 (2009: £1,635,013). The Group monitors its net debt position on a regular basis and produces an annual budget to help ensure it has adequate facilities with appropriate maturity profiles for its operational needs.

Capital expenditure
The Group incurred £90,665 (2009: £134,433) on plant and machinery fixed assets. Most of the expenditure was incurred at Genesis where all the laboratories underwent a refurbishment and an extension to the kitting facility was built. ■

Kieron Harbinson
Group Finance Director
15 July 2010

Board of Directors

David Evans, CA
Non-executive Chairman

Aged 50, 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 54, Andrew Shepherd is the Founder and Managing Director of Omega Diagnostics Limited. He has been involved in the medical diagnostics industry for the last 35 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 45, 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 65, 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.

Geoff Gower, BSc. (Hons)
Managing Director
Genesis Diagnostics Ltd
Cambridge Nutritional Sciences Ltd

Aged 54, Geoff Gower joined Genesis and CNS as Managing Director in May 2009. He is responsible for the performance and development of both Companies. Mr Gower has been involved in the medical diagnostics industry since 1983.

His career in science started at Unilever Research in 1974 where he stayed for nine years and at the same time obtained a Bachelor of Science in Applied Biology. In 1983 he joined Seward Laboratory and held senior production positions before joining IQ (Bio) as Production Manager in 1985. Mr Gower has since held positions as Operations Director, Country Manager, General Manager and Managing Director whilst working for Novo Nordisk, Dako and Oxoid. In 2008 he established his own consultancy company, Camsensia Ltd.

Mr Gower has a wealth of experience in operations and, more recently, in commercial and business development during his time at Dako and Oxoid. This included responsibility for the relocation and design of a new manufacturing facility for Novo Nordisk Diagnostics in 1990 totalling 4,270m^2. He was intimately involved in the growth of Dako's microbiology business and its subsequent sale to Oxoid in 2006.

Directors' Report

Registered No. 5017761

The Directors present their Annual Report and Group financial statements for the year ended 31 March 2010.

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 £187,099 (2009: profit of £221,041) which has been taken to reserves. The Directors do not propose to pay a dividend. The results are discussed in more detail in the Chairman's Statement on pages 10 to 11 and the Financial Review on pages 16 to 17.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Company profit for the year ended 31 March 2010 is £212,537 (2009: loss of £33,739).

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 decreased in the year. Details of research and development activity are contained in the Chairman's Statement, Chief Executive's Review and Financial Review on pages 10 to 17. Costs in the year amounted to £209,747 (2009: £226,068).

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

David Evans
Michael Gurner
Kieron Harbinson
Andrew Shepherd
Geoff Gower (appointed 22 December 2009)

Biographies of all Directors still serving at the year-end are on pages 18 and 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. There have been no changes to any Director's interests in the shares of the Company between 31 March 2010 and the date of this report.

Major interests in shares
As at 22 June 2010, the Company had been notified that the following shareholders held more than 3% of the Company's issued ordinary share capital:

	Ordinary shares	Number of 4p Percentage
Brewin Dolphin Securities	3,737,479	18.11%
Octopus Investments	3,700,220	17.93%
Williams de Broe	2,760,534	13.38%
Legal & General Investment Management	2,050,000	9.94%
Andrew Shepherd	1,319,830	6.40%
Bluehone Aim VCT2 plc	1,000,000	4.85%

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 2010 were equivalent to 61 days (2009: 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 no charitable donations in the year (2009: £130) nor any political donations (2009: £nil).

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
15 July 2010

Directors' Remuneration Report

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

Remuneration Committee

The Remuneration Committee is comprised of 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

Geoff Gower was issued with an option over 20,000 ordinary shares of the Company under the Company's EMI Share Option Scheme on 5 May 2009 which was prior to his appointment as an Executive Director on 22 December 2009.

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 £131,250 per annum from 1 April 2009. 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 £94,500 per annum from 1 April 2009. 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, 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 was 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.

Geoff Gower entered into a service contract with the Company on 22 December 2009, under which he was appointed as an Executive Director on an annual salary of £80,000. The agreement will continue until terminated by either party giving to the other not less than three months' notice in writing.

Andrew Shepherd and Kieron Harbinson received bonuses within the year of £19,688 and £14,175 respectively. These were non-contractual and calculated at 15% of their basic annual salaries on the successful acquisition of Co-Tek (South West) Ltd.

Directors' emoluments

Consolidated	Fees/basic salary £	Bonuses £	Benefits in kind £	Total 2010 £	Total 2009 £
Executive					
Andrew Shepherd	131,250	19,688	–	**150,938**	125,000
Kieron Harbinson	94,500	14,175	–	**108,675**	90,000
Geoff Gower (appointed 22 December 2009)	22,285	–	–	**22,285**	–
Non-executive					
David Evans	25,000	–	–	**25,000**	25,000
Michael Gurner	20,000	–	–	**20,000**	16,250
Michael Walker	–	–	–	**–**	9,212

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

Directors' pension contributions

	2010 £	2009 £
Andrew Shepherd	**6,562**	8,375
Kieron Harbinson	**4,500**	5,083
Geoff Gower	**1,783**	–

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

	31 March 2010	31 March 2009
David Evans	**110,000**	110,000
Michael Gurner	**121,671**	101,671
Kieron Harbinson	**58,317**	58,317
Andrew Shepherd	**1,319,830**	1,319,830
Geoff Gower	**20,000**	–

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

Directors' share options

	At 1 April 2009	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2010	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
Geoff Gower	–	20,000	–	–	**20,000**	19p	5/5/2009	5/5/2010	5/5/2019

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

The share price at 31 March 2010 was 28.5p. The highest and lowest share price during the year was 36.5p and 17p respectively.

Under the terms of a warrant, Michael Gurner was entitled to subscribe for 45,835 ordinary shares of 4p each between 1 April 2008 and 19 September 2009 at an exercise price of 80p per share. The warrant lapsed on 19 September 2009.

Approved by the Board

Michael Gurner
Non-executive Director
15 July 2010

Corporate Governance Report

As an AIM-quoted Company, the Group is not required to produce a corporate governance report that satisfies all the requirements of the Combined Code. However, the directors are committed to providing information on an open basis and present their Corporate Governance Report as follows:

The Board of Directors

The Board currently comprises: one Non-executive Chairman; one Non-executive Director; and three Executive Directors, who are the Chief Executive, the Finance Director and the Managing Director of Genesis Diagnostics Ltd and Cambridge Nutritional Sciences Ltd. 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 fifteen occasions. David Evans attended thirteen out of the fifteen meetings. Michael Gurner attended fourteen of the fifteen meetings. Andrew Shepherd and Kieron Harbinson attended all fifteen meetings. Geoff Gower, who was appointed on 22 December 2009, attended both meetings which he was entitled to attend.

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

BGenuine Tech KK
Epistem Holdings Plc
Immunodiagnostic Systems Holdings plc
Marine Biotech Limited
Momentum Bioscience Limited
Onyx Scientific Limited
Quotient Diagnostics Limited
Scancell Holdings plc
Scipac Limited

The Audit Committee

The Audit Committee has met on two 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 considers and makes 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 also oversees the relationship with the external auditors including approval of remuneration levels, approval of terms of engagement and assessment of their independence and objectivity. In so doing, they take into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services. Ernst & Young LLP have been auditors to Omega Diagnostics Limited ('ODL') since 2000 and were appointed as Auditors to the 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 also reviews the Company's arrangements for its employees raising concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that such arrangements allow for independent investigation and follow-up action.

The Remuneration Committee

The Remuneration Committee 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 Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, which runs from page 12 to page 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 16 to 17. In addition, note 23 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has adequate financial resources together with long-term relationships with a number of customers and suppliers across different geographic areas and industries.

As a consequence, the Directors believe that the Group is well-placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the Board

Kieron Harbinson
Company Secretary
15 July 2010

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. Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they 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;
- state that the Group and Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgments and estimates that are reasonable and prudent.

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

Independent Auditor's Report
to the members of Omega Diagnostics Group PLC

We have audited the financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2010 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity, Company Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Mark William Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
15 July 2010

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2010

	Note	2010 Total £	2009 Total £
Continuing operations			
Revenue	7	**6,198,742**	5,438,313
Cost of sales		**(2,582,522)**	(2,094,049)
Gross profit		**3,616,220**	3,344,264
Administration costs		**(2,508,608)**	(2,125,922)
Selling and marketing costs		**(800,632)**	(565,623)
Other income – government grants and related assistance		**500**	550
Exceptional administration costs	19	**–**	(80,301)
Operating profit	7	**307,480**	572,968
Finance costs	5	**(97,909)**	(312,232)
Finance income – interest receivable	7	**437**	6,157
Profit before taxation		**210,008**	266,893
Tax charge	6	**(22,909)**	(45,852)
Profit for the year/Total comprehensive income		**187,099**	221,041
Earnings Per Share (EPS)	22		
Basic EPS on profit for the year – before exceptional items		**1.0p**	2.0p
– after exceptional items		**1.0p**	1.4p
Diluted EPS on profit for the year – before exceptional items		**1.0p**	2.0p
– after exceptional items		**1.0p**	1.4p

Consolidated Balance Sheet
as at 31 March 2010

	Note	2010 £	2009 £
ASSETS			
Non-current assets			
Intangibles	9	**5,159,774**	4,879,700
Property, plant and equipment	10	**672,903**	639,446
Deferred taxation	15	**96,074**	107,530
Derivative financial instruments	23	**196**	599
		5,928,947	5,627,275
Current assets			
Inventories	11	**814,344**	762,380
Trade and other receivables	12	**1,682,263**	1,254,963
Income tax receivable		**45,527**	4,055
Cash and cash equivalents		**678,800**	612,554
		3,220,934	2,633,952
Total assets		**9,149,881**	8,261,227
EQUITY AND LIABILITIES			
Equity			
Issued capital		**5,930,962**	5,011,769
Retained earnings		**(281,074)**	(646,548)
Total equity		**5,649,888**	4,365,221
Liabilities			
Non-current liabilities			
Long-term borrowings	13	**1,593,491**	1,875,263
Deferred taxation	15	**583,249**	575,065
Derivative financial instruments	23	**7,717**	10,700
Total non-current liabilities		**2,184,457**	2,461,028
Current liabilities			
Short-term borrowings	13	**343,685**	372,304
Other financial liabilities	20	**–**	131,580
Trade and other payables	14	**862,878**	871,725
Income tax payable		**108,973**	59,369
Total current liabilities		**1,315,536**	1,434,978
Total liabilities		**3,499,993**	3,896,006
Total equity and liabilities		**9,149,881**	8,261,227

David Evans
Non-executive Chairman
15 July 2010

Kieron Harbinson
Finance Director
15 July 2010

Consolidated Statement of Changes in Equity
for the year ended 31 March 2010

	Note	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2008		1,331,957	3,074,041	(945,537)	3,460,461
Issue of share capital for non-cash consideration		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
Issue of share capital for cash consideration		200,000	800,000	–	1,000,000
Expenses in connection with share issue		–	(80,807)	–	(80,807)
Profit for the year ended 31 March 2010		–	–	187,099	187,099
Share-based payments		–	–	178,375	178,375
Balance at 31 March 2010		**1,562,246**	**4,368,716**	**(281,074)**	**5,649,888**

Consolidated Cash Flow Statement
for the year ended 31 March 2010

	Note	2010 £	2009 £
Cash flows generated from operations			
Profit for the year		**187,099**	221,041
Adjustments for:			
Taxation		**22,909**	45,852
Finance costs		**97,909**	312,232
Finance income		**(437)**	(6,157)
Operating profit before working capital movement		**307,480**	572,968
Increase in trade and other receivables		**(360,405)**	(169,672)
Increase in inventories		**(48,964)**	(135,343)
(Decrease)/increase in trade and other payables		**(24,926)**	205,913
Loss/(gain) on sale of property, plant and equipment		**1,873**	(350)
Depreciation	10	**102,925**	85,484
Amortisation of intangible assets	9	**108,750**	98,750
Share-based payments		**178,375**	77,948
Taxation paid		**(52,825)**	(67,422)
Net cash flow from operating activities		**212,283**	668,276
Investing activities			
Finance income		**437**	6,157
Purchase of property, plant and equipment		**(90,485)**	(26,933)
Sale of property, plant and equipment		**2,540**	2,500
Outflow on acquisition of subsidiaries	8	**(580,699)**	(167,471)
Net cash used in investing activities		**(668,207)**	(185,747)
Financing activities			
Finance costs		**(42,010)**	(67,603)
Proceeds from issue of share capital		**919,193**	–
Loan repayments		**(273,283)**	(264,259)
Finance lease repayments		**(81,730)**	(50,624)
Net cash from/(used in) financing activities		**522,170**	(382,486)
Net increase in cash and cash equivalents		**66,246**	100,043
Cash and cash equivalents at beginning of year		**612,554**	512,511
Cash and cash equivalents at end of year		**678,800**	612,554

Company Balance Sheet
as at 31 March 2010

	Note	2010 £	2009 £
ASSETS			
Non-current assets			
Investments	21	**8,113,040**	7,676,225
Deferred taxation	15	**–**	16,214
Derivative financial instruments	23	**196**	599
		8,113,236	7,693,038
Current assets			
Trade and other receivables	12	**1,377,997**	786,271
Cash and cash equivalents		**12,214**	114,866
		1,390,211	901,137
Total assets		**9,503,447**	8,594,175
EQUITY AND LIABILITIES			
Equity			
Issued capital		**6,920,637**	6,001,444
Retained earnings		**253,745**	(137,167)
Total equity		**7,174,382**	5,864,277
Liabilities			
Non-current liabilities			
Long-term borrowings	13	**1,520,100**	1,738,941
Derivative financial instruments	23	**7,717**	10,700
Total non-current liabilities		**1,527,817**	1,749,641
Current liabilities			
Short-term borrowings	13	**280,890**	290,710
Other financial liabilities	20	**–**	131,580
Trade and other payables	14	**439,165**	556,478
Income tax payable		**81,193**	1,489
Total current liabilities		**801,248**	980,257
Total liabilities		**2,329,065**	2,729,898
Total equity and liabilities		**9,503,447**	8,594,175

David Evans
Non-executive Chairman
15 July 2010

Kieron Harbinson
Finance Director
15 July 2010

Company Statement of Changes in Equity
for the year ended 31 March 2010

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2008	1,704,239	3,691,434	(181,376)	5,214,297
Issue of share capital for non-cash consideration	30,289	575,482	–	605,771
Profit 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
Issue of share capital for cash consideration	200,000	800,000	–	1,000,000
Expenses in connection with share issue	–	(80,807)	–	(80,807)
Profit for the year ended 31 March 2010	–	–	212,537	212,537
Share-based payments	–	–	178,375	178,375
Balance at 31 March 2010	**1,934,528**	**4,986,109**	**253,745**	**7,174,382**

Company Cash Flow Statement
for the year ended 31 March 2010

	2010 £	2009 £
Cash flows generated from operations		
Profit/(loss) for the year	**212,537**	(33,739)
Adjustments for:		
Taxation	**95,918**	5,228
Finance costs	**84,426**	300,944
Finance income	**(132)**	(838)
Operating profit before working capital movement	**392,749**	271,595
Increase in trade and other receivables	**(591,726)**	(36,849)
(Decrease)/increase in trade and other payables	**(117,312)**	212,516
Share-based payments	**178,375**	77,948
Net cash flow from operating activities	**(137,914)**	525,210
Investing activities		
Finance income	**132**	838
Outflow on acquisition of subsidiaries	**(582,253)**	(167,471)
Net cash used in investing activities	**(582,121)**	(166,633)
Financing activities		
Finance costs	**(28,527)**	(56,314)
Proceeds from issue of share capital	**919,193**	–
Loan repayments	**(273,283)**	(264,259)
Net cash from/(used in) financing activities	**617,383**	(320,573)
Net (decrease)/increase in cash and cash equivalents	**(102,652)**	38,004
Cash and cash equivalents at beginning of year	**114,866**	76,862
Cash and cash equivalents at end of year	**12,214**	114,866

Notes to the Financial Statements
for the year ended 31 March 2010

1 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2010 were authorised for issue by the Board of Directors on 15 July 2010, 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 2010 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 except for IAS 1 (Revised) where the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income. The revised standard requires this statement to present all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

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 2010 is £96,074 (2009: £107,530). 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 2010 the Genesis Earn-out had a carrying value of £nil (2009: £131,580) having been paid out in full in March 2010. As the earn-out was based on 7% of sales of certain products, the earn-out amount varied due to 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
Customer relationship	–	5 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.

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

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 vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

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

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 and deferred tax is charged or credited in other comprehensive income or directly to equity if it relates to items that are credited or charged in other comprehensive income or directly to equity. Otherwise, income tax and deferred tax is recognised in profit or loss.

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

New standards and interpretations not applied
IASB and IFRIC have issued the following standards and interpretations.

International Accounting Standards (IAS/IFRS's)		Effective date*
IFRS 1	First Time Adoption of International Reporting Standards	1 July 2009
IFRS 1	Amendments to IFRS 1 – Additional Exemptions for First-Time Adopters	1 January 2010
IFRS 1	Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 disclosures	1 July 2010
IFRS 2	Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2013
IAS 24	Related Party Disclosures (revised)	1 January 2011
IAS 27	Consolidated and separate financial statements (revised January 2008)	1 July 2009
IAS 32	Amendment to IAS 32: Classification of Rights Issues	1 February 2010
IAS 39	Eligible Hedged Items	1 July 2009
	Improvements to IFRS (issued April 2009)	Various dates
	Improvements to IFRS (issued May 2010)	Various dates

International Financial Reporting Interpretations Committee (IFRIC)		Effective date*
IFRIC 14	Amendment: Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

*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 (EU), 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 Group has not adopted IFRS 3 (revised) early and so will apply it prospectively to all business combinations on or after 1 April 2010. Whilst it is not possible to estimate the outcome of adoption, the key features of revised IFRS 3 include a requirement for acquisition-related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill).

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.

Notes to the Financial Statements
(continued)

4 SEGMENT INFORMATION

The Group's activities are in one business segment: diagnostic testing kits which the directors consider to be its one operating segment. There are no other significant classes of business, either singularly or in aggregate. Accordingly, the Group's segment reporting is by business segment. 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 the chief operating decision maker (CODM), the purposes of evaluating performance, and making decisions about future allocations of resources.

	2010 £	2009 £
Segment revenues	**6,198,742**	5,438,313
Segment result – adjusted profit before tax	**589,511**	540,439

Adjusted PBT is derived by taking headline profit before tax of £210k (2009: £267k) and adding back IFRS-related net discount charges of £92k (2009: £16k), amortisation of intangible assets of £109k (2009: £99k), share-based payment charges of £178k (2009: £78k) and exceptional cost of nil (2009: £80k).

There are no unallocated expenses.

	2010 £	2009 £
Assets and liabilities		
Segment assets	**8,329,285**	7,519,584
Unallocated assets	**820,596**	741,643
Total assets	**9,149,881**	8,261,227
Segment liabilities	**862,878**	871,725
Unallocated liabilities	**2,637,115**	3,024,281
Total liabilities	**3,499,993**	3,896,006
Other segment information		
Segment capital expenditure	**90,485**	134,433
Segment depreciation	**102,925**	85,484
Segment amortisation of intangibles	**108,750**	98,750
Segment impairment of trade receivables	**525**	455
Segment share-based payments	**178,375**	77,948

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

	2010 £	2009 £
Revenues		
UK	**861,249**	534,157
Eurozone	**1,953,229**	1,952,073
Other Europe	**211,271**	197,065
North America	**307,007**	217,156
South/Central America	**327,577**	302,162
Asia and Far East	**1,365,977**	1,212,651
Africa and Middle East	**1,172,432**	1,023,049
	6,198,742	5,438,313

4 SEGMENT INFORMATION (continued)

	2010 £	2009 £
Assets		
UK	**8,329,285**	7,519,584
Unallocated assets	**820,596**	741,643
Total assets	**9,149,881**	8,261,227
Liabilities		
UK	**862,878**	871,725
Unallocated liabilities	**2,637,115**	3,024,281
Total liabilities	**3,499,993**	3,896,006
Capital expenditure		
UK	**90,485**	134,433

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.

Information about major customers
No single customer accounts for 10% or more of group revenues.

5 FINANCE COSTS

Consolidated	2010 £	2009 £
Interest payable on loans and bank overdrafts	**35,396**	96,120
Exchange difference on loans	**(41,978)**	188,295
Unwinding of discounts	**31,131**	64,583
Fair value adjustment to acquisition	**63,826**	(57,907)
Fair value adjustment to financial derivatives	**(2,580)**	9,871
Finance leases	**12,114**	11,270
	97,909	312,232

6 TAXATION

Consolidated	2010 £	2009 £
(a) Income tax expense		
Current tax – current year	**81,193**	59,274
Current tax – prior year adjustment	**(48,016)**	(8,114)
Deferred tax – current year	**9,899**	19,293
Deferred tax – prior year adjustment	**(20,167)**	(24,601)
Tax charge for the year	**22,909**	45,852

Notes to the Financial Statements
(continued)

6 TAXATION (continued)

Consolidated	2010 £	2009 £
(b) Reconciliation of total tax charge		
Factors affecting the tax charge for the year:		
Profit before tax	**210,008**	266,893
Effective rate of taxation	**28%**	28%
Profit before tax multiplied by the effective rate of tax	**58,802**	74,730
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**50,570**	55,495
Transfers from previously unrecognised deferred tax asset	**25,767**	(16,214)
Research and development tax credits	**(44,047)**	(35,444)
Tax over-provided in prior years	**(68,183)**	(32,715)
Tax charge for the year	**22,909**	45,852

7 REVENUE AND EXPENSES

Consolidated	2010 £	2009 £
Revenues		
Revenue – sales of goods	**6,198,742**	5,438,313
Finance income	**437**	6,157
Total revenue	**6,199,179**	5,444,470

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

Consolidated	2010 £	2009 £
Operating profit is stated after charging/(crediting)		
Depreciation	**102,925**	85,484
Amortisation of intangibles	**108,750**	98,750
Net foreign exchange losses/(gains)	**28,146**	(94,652)
Research and development costs	**209,747**	226,068
Impairment of trade receivables	**525**	455
Operating lease rentals	**175,242**	174,556
Share-based payments	**178,375**	77,948
Auditors' remuneration		
– Fees payable to the company's auditors for the audit of the annual accounts	**16,000**	15,000
– Fees payable to the company's auditors for other services		
– Taxation	**17,050**	20,950
– Local statutory audit of subsidiaries	**20,000**	17,500
– Local statutory audit of the parent company	**3,000**	2,500
– All other services	**11,500**	7,500

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

7 REVENUE AND EXPENSES (continued)

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

Consolidated	2010 number	2009 number
Operations	**43**	35
Management and administration	**21**	21
Employee numbers	**64**	56

Their aggregate remuneration comprised:

	2010 £	2009 £
Wages and salaries	**1,751,650**	1,423,073
Social security costs	**168,722**	140,265
Pension costs	**40,962**	45,355
Share-based payments	**178,375**	77,948
	2,139,709	1,686,641

Equity-settled share-based payments
Consolidated and Company
The share-based payment plans are described below.

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.

Second Unapproved Option Scheme (SUOS)
The plan is an equity-settled plan and the fair value is measured at the grant date. Under the above plan, share options may be granted to third parties for provision of services to 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 three years 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.

Under the EMI Option Scheme 35,000 options lapsed during the year and a further 35,000 were granted. Under the SUOS, 70,000 options were granted in the year.

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

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding 1 April	1,833,289	19.00p	–	–
Granted during the year under the EMI Option Scheme	35,000	20.29p	1,833,289	19.00p
Granted during the year under the SUOS	70,000	28.00p	–	–
Exercised during the year	–	–	–	–
Lapsed during the year under the EMI Option Scheme	(35,000)	19.00p	–	–
Outstanding at 31 March	1,903,289	–	1,833,289	–
Exercisable at 31 March	1,798,289	19.00p	–	–

Notes to the Financial Statements
(continued)

7 REVENUE AND EXPENSES (continued)

The following table lists the inputs to the model used for the year ended 31 March 2010 and 31 March 2009:

	EMI Option Scheme and Unapproved Option Scheme		SUOS	
	2010	2009	2010	2009
Dividend yield	0%	0%	0%	–
Expected Volatility	115%	84%	115%	–
Risk-free interest rate	2%	2%	2%	–
Weighted average remaining contractual life	8.7	9.7	9.7	–
Weighted average share price	19p	19p	28p	–
Exercise price	19p	19p	28p	–
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

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	2010 £	2009 £
Fees	**45,000**	50,462
Emoluments	**281,898**	215,000
	326,898	265,462
Contributions to personal pension	**12,845**	13,458
	339,743	278,920

Members of a defined contribution pension scheme at the year end:	**3**	2

Company	2010 £	2009 £
Fees	**45,000**	50,462
Emoluments	**281,898**	215,000
	326,898	265,462

Information in respect of individual director's emoluments is provided in the Directors' Remuneration Report on pages 22 and 23.

8 ACQUISITION OF SUBSIDIARIES

On 28 September 2009, the Group acquired 100% of the voting shares of Co-Tek (South West) Ltd, an unlisted company in Devon, UK. Co-Tek is a manufacturer of stained bacterial suspensions for the diagnosis of bacterial diseases including Typhoid, Brucellosis and Rickettsia.

The acquisition was accounted for using the purchase method of accounting and the consolidated financial statements includes the results for the six-month period from acquisition date. There was no trading in the two days between the acquisition date and 30 September 2009. The fair values of the identifiable assets and liabilities of Co-Tek as at the date of acquisition were:

	Co-Tek book value £	Fair value adjustments £	Total £
Intangible assets	–	100,000	100,000
Property, plant and equipment	50,310	–	50,310
Inventories	3,000	–	3,000
Trade and other receivables	66,895	–	66,895
Cash and cash equivalents	1,554	–	1,554
Trade and other payables	(16,079)	–	(16,079)
Income tax payable	(27,780)	–	(27,780)
Deferred tax liability	(1,908)	(28,000)	(29,908)
Net assets	75,992	72,000	147,992
Goodwill on acquisition			332,986
			480,978
Fair value of consideration			400,000
Acquisition costs			80,978
			480,978

Cost of the acquisition

The total acquisition cost of £480,978 for Co-Tek comprised a cash payment of £400,000 and acquisition costs amounting to £80,978.

Funding

To fund the cost of the acquisition, the Group raised £1,000,000 (before expenses of £80,807) via the placing of 5,000,000 new ordinary shares at a price of 20p per share.

Cash outflow on acquisition

	2010 £	2009 £
Net cash acquired with Co-Tek	**1,554**	–
Acquisition costs	**(80,978)**	–
Cash paid	**(400,000)**	–
Deferred cash payment	**–**	(61,634)
Contingent consideration payments	**(101,275)**	(105,837)
Net cash outflow	**(580,699)**	(167,471)

Notes to the Financial Statements
(continued)

8 ACQUISITION OF SUBSIDIARIES (continued)

Goodwill
The acquisition of Co-Tek resulted in goodwill of £332,986. This goodwill represents the advantages and synergies which are expected to be derived from combining the Co-Tek business with the following elements of the Omega business:

- the additional economic benefit that is expected to be derived from additional revenues of Omega-branded products from its existing distribution network.
- the Omega customer relationships which already exist for its Micropath range.
- Strength of existing Omega management team in diagnostic-related acquisitions.
- Existing sales & marketing personnel within Omega.

From the date of acquisition, Co-Tek has contributed a loss of £1,183 to the Group profit for the year. Following the acquisition, negotiations with Co-Tek's one main customer continued for a period of time which eventually resulted in securing a three-year supply agreement in May 2010. During the period from acquisition to 31 March 2010, supplies to the customer were lower than normal during the negotiation phase but the signed agreement now guarantees minimum revenue over the full three-year period of not less than £480,000. The loss of £1,183 is before internal management charges which are reallocated to subsidiaries to reflect their share of Group Costs and management time spent on specific projects. The combined revenue and profit before tax for the Group, assuming Co-Tek had been acquired at the start of the period would have been £6,303,993 and £242,026 respectively.

The contingent consideration payment amounting to £101,275 (2009: £105,837) was the final earn-out payment with respect to the acquisition of Genesis-CNS. The earn-out accrued at 7% of sales of relevant products over a three-year period from 1 November 2006 to 31 October 2009.

9 INTANGIBLES

Consolidated	Goodwill £	Technology assets £	Customer relationship £	Total £
Cost				
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
On acquisition	332,986	–	100,000	432,986
Adjustment related to contingent consideration	(44,162)	–	–	(44,162)
At 31 March 2010	**3,349,878**	**1,975,000**	**100,000**	**5,424,878**
Accumulated amortisation and impairment				
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
Amortisation charge in the year	–	98,750	10,000	108,750
At 31 March 2010	**–**	**255,104**	**10,000**	**265,104**
Net book value				
31 March 2010	**3,349,878**	**1,719,896**	**90,000**	**5,159,774**
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 net book value of goodwill above for Genesis-CNS amounts to £3,016,892 (2009: £3,061,054) and for Co-Tek to £332,986 (2009: £nil).

The recoverable amount of Genesis-CNS and Co-Tek 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 2011. The key assumptions used in the budget for Genesis-CNS are the sales projections which are predicated on the continued success of the Genarrayt™ and Food Detective™ assays

9 INTANGIBLES (continued)

being commercialised on an international basis and the gross margins which can be achieved from the sales of these products. The key assumption used in the budget for Co-Tek is the growth in sales of the Company's Micropath™ range of products where increased volumes are dependent upon having accessed a lower manufacturing cost through the acquisition of Co-Tek itself. In both cases, the Company also makes assumptions in regard to having sufficient production personnel to cope with increased volumes. The discount rate applied to cash flows is 11% reflecting the pre-tax weighted average cost of capital (WACC) for the group which takes account of other risks specific to the business such as currency risk and price risk. 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 for Genesis-CNS over the next 4 years and Co-Tek over the next 6 years using a growth rate of 7% that equates to the current growth rate 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 headroom of £1.16m above carrying value for Genesis-CNS and headroom of £48,000 above carrying value for Co-Tek. Sensitivity analysis has been undertaken to assess the impact of any reasonably possible change in key assumptions. If the growth rate were to drop from 7% to 6% this would have the effect of reducing the headroom in Genesis-CNS by £105,000 over 5 years and in Co-Tek by £15,000 over 7 years.

For Genesis-CNS, the WACC would have to increase to 19.9% or the growth rate would have to be a decline of 5.3% for the headroom to reduce to nil.

For Co-Tek, the WACC would have to increase to 15.9% or the growth rate would have to reduce to 3.8% for the headroom to reduce to nil.

The adjustment relating to the contingent consideration amounting to £44,162 results from a reassessment of the Genesis/CNS earnout. This is further analysed in note 20. Other than 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 2008	130,200	1,329,319	28,647	1,488,166
Additions	–	134,433	–	134,433
Disposals	–	(398)	(10,479)	(10,877)
At 31 March 2009	130,200	1,463,354	18,168	1,611,722
Additions	20,244	70,241	–	90,485
Acquisitions	–	50,310	–	50,310
Disposals	–	(16,292)	(18,168)	(34,460)
At 31 March 2010	**150,444**	**1,567,613**	**–**	**1,718,057**
Accumulated amortisation and impairment				
At 1 April 2008	52,610	824,402	18,507	895,519
Charge in the year	13,020	69,810	2,654	85,484
Disposals	–	(391)	(8,336)	(8,727)
At 31 March 2009	65,630	893,821	12,825	972,276
Charge in the year	14,295	86,563	2,067	102,925
Disposals	–	(15,155)	(14,892)	(30,047)
At 31 March 2010	**79,925**	**965,229**	**–**	**1,045,154**
Net book value				
31 March 2010	**70,519**	**602,384**	**–**	**672,903**
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 2010 is £225,565 (2009: £280,671).

Notes to the Financial Statements
(continued)

11 INVENTORIES

	2010 £	2009 £
Raw materials	**539,685**	527,509
Work in progress	**151,810**	121,135
Finished goods and goods for resale	**122,849**	113,736
	814,344	762,380

12 TRADE AND OTHER RECEIVABLES

Consolidated	2010 £	2009 £
Trade receivables	**1,527,928**	1,070,348
Prepayments and other receivables	**154,335**	184,615
	1,682,263	1,254,963

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

Company	2010 £	2009 £
Prepayments and other receivables	**39,449**	42,852
Due from subsidiary companies	**1,338,548**	743,419
	1,377,997	786,271

Analysis of trade receivables

Consolidated	2010 £	2009 £
Neither impaired nor past due	**1,076,588**	838,042
Past due but not impaired	**451,340**	232,306

Company	2010 £	2009 £
Neither impaired nor past due	**1,338,548**	743,419

Ageing of past due but not impaired trade receivables

Consolidated	2010 £	2009 £
Up to 3 months	**377,461**	202,732
Between 3 and 6 months	**51,808**	23,935
More than 6 months	**22,071**	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	2010 £	2009 £
Current		
Bank loans	**280,890**	290,710
Obligations under finance leases	**62,795**	81,594
	343,685	372,304
Non-current		
Bank loans	**421,335**	726,776
Obligations under finance leases	**73,391**	136,322
Other loans	**1,098,765**	1,012,165
	1,593,491	1,875,263
Bank loans comprise the following:		
£702,225 variable rate loan 2012 (base rate + 2.0%: 2009 base rate +2.0%)	**702,225**	1,017,486
	702,225	1,017,486
Less current instalments	**(280,890)**	(290,710)
	421,335	726,776

The Group uses finance leases and hire purchase contracts to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum payments under finance leases and hire purchase contracts are as follows:

	2010 £	2009 £
Future minimum payments due:		
Not later than one year	**70,113**	93,807
After one year but not more than five years	**76,909**	147,223
	147,022	241,030
Less finance charges allocated to future periods	**10,836**	23,114
Present value of minimum lease payments	**136,186**	217,916
The present value of minimum lease payments is analysed as follows:		
Not later than one year	**62,795**	81,594
After one year but not more than five years	**73,391**	136,322
	136,186	217,916

Consolidated	2010 £	2009 £
Other loans comprise the following:		
Vendor loan – 2014 (base rate)	**1,098,765**	1,012,165
	1,098,765	1,012,165

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.

Notes to the Financial Statements
(continued)

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

There are two Bank of Scotland term loans of £300,000 (2009: £420,000) and US$611,100 (2009: US$855,540) repayable in equal monthly instalments of £10,000 and US$20,370, both with a maturity date of 4 September 2012.

Company	2010 £	2009 £
Current		
Bank loans	**280,890**	290,710
	280,890	290,710
Non-current		
Bank loans	**421,335**	726,776
Other loans	**1,098,765**	1,012,165
	1,520,100	1,738,941
Bank loans comprise the following:		
£702,225 variable rate loan 2012 (base rate + 2.0%: 2009 base rate +2.0%)	**702,225**	1,017,486
	702,225	1,017,486
Less current instalments	**(280,890)**	(290,710)
	421,335	726,776

Company	2010 £	2009 £
Other loans comprise the following:		
Vendor loan – 2014 (base rate)	**1,098,765**	1,012,165
	1,098,765	1,012,165

14 TRADE AND OTHER PAYABLES

Consolidated	2010 £	2009 £
Trade payables	**608,136**	667,967
Social security costs	**52,737**	42,582
Accruals and other payables	**202,005**	161,176
	862,878	871,725

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	2010 £	2009 £
Trade payables	**38,748**	91,885
Accruals and other payables	**63,331**	67,718
Due to subsidiary companies	**337,086**	396,875
	439,165	556,478

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	2010 £	2009 £
Decelerated capital allowances	**14,009**	18,228
Temporary differences	**7,483**	23,061
Tax losses carried forward	**74,582**	66,241
	96,074	107,530

Company	2010 £	2009 £
Tax losses carried forward	**–**	–
Temporary differences	**–**	16,214
	–	16,214

A deferred tax asset has been recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The deferred tax liability is made up as follows:

Consolidated	2010 £	2009 £
Fair value adjustments on acquisition	**571,332**	564,481
Accelerated capital allowances	**11,917**	10,584
	583,249	575,065

16 SHARE CAPITAL

Company	2010 number	2009 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	**15,632,907**	14,875,694
Issued during the year	**5,000,000**	757,213
At the end of the year	**20,632,907**	15,632,907

Notes to the Financial Statements
(continued)

16 SHARE CAPITAL (continued)

	2010 £	2009 £
Shares allotted for cash		
Aggregate nominal value	200,000	–
Share premium	800,000	–
Expense of issue	(80,807)	–
Consideration received	919,193	–
Shares allotted for non-cash consideration		
Aggregate nominal value	–	30,289
Share premium	–	575,482
Increase in issued capital	–	605,771

Consolidated	2010 number	2009 number
Issued and fully paid share capital		
At the beginning of the year	15,632,907	14,875,694
Issued during the year	5,000,000	757,213
At the end of the year	20,632,907	15,632,907

	2010 £	2009 £
Shares allotted for cash		
Aggregate nominal value	200,000	–
Share premium	800,000	–
Expense of issue	(80,807)	–
Consideration received	919,193	–
Shares allotted for non-cash consideration		
Aggregate nominal value	–	30,289
Share premium	–	575,482
Increase in issued capital	–	605,771

On 28 September 2009, the Company issued 5,000,000 ordinary shares of 4p each at a price of 20p per share. The costs involved in the share issue were £80,807.

The Company granted warrants to those shareholders in Quintessentially English plc, on the register just prior to the reverse transaction in 2006. These warrants entitled those shareholders to subscribe for a total of 139,710 new ordinary shares. The warrants had an exercise price of 80p per share and an expiry date of 19 September 2009. None of the warrants were exercised.

During the year to 31 March 2009, 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.

Additional shares were issued in the financial year 2009 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	2010 £	2009 £
Land and buildings:		
Within 1 year	**163,374**	163,374
Within 2 to 5 years	**211,186**	374,559
Other:		
Within 1 year	**11,869**	10,599
Within 2 to 5 years	**26,265**	22,311
After 5 years	**–**	–

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 2011 to May 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 2010 (2009: £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:

	2010 £	2009 £
Short-term employee benefits	**326,898**	265,462
Share-based payments	**153,002**	66,468
Post-employment benefits	**12,845**	13,458
	492,745	345,388

Included within short-term employee benefits are amounts paid to MBA Consultancy of £25,000 (2009: £25,000), a company controlled by David Evans and £15,000 (2009: £16,250) to Alberdale Catalyst Ltd and £5,000 (2009: £nil) to Holdmer Associates Ltd, two companies 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, Cambridge Nutritional Sciences and Co-Tek (South West) Limited, largely relating to payment of fees. The amounts outstanding at the year end are as follows:

At 31 March 2010	ODG £	ODL £	Genesis £	CNS £	Co-Tek £
Omega Diagnostics Group PLC (Entity)	–	(1,016,639)	(309,690)	337,086	(12,219)
Omega Diagnostics Limited	1,016,639	–	77,639	889	9,458
Genesis Diagnostics Limited	309,690	(77,639)	–	(462,581)	–
Cambridge Nutritional Sciences Limited	(337,086)	(889)	462,581	–	–
Co-Tek (South West) Limited	12,219	(9,458)	–	–	–

Notes to the Financial Statements
(continued)

18 RELATED PARTY TRANSACTIONS (continued)

At 31 March 2009	ODG £	ODL £	Genesis £	CNS £	Co-Tek £
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	–	–
Co-Tek (South West) Limited	–	–	–	–	–

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

	2010 £	2009 £
Balance at 1 April	**346,544**	560,515
Charges to subsidiary companies	**1,190,833**	959,658
Charges from subsidiary companies	**(511,886)**	(290,286)
Transfers of cash to subsidiary companies	**821,000**	802,509
Transfers of cash from subsidiary companies	**(845,030)**	(1,685,851)
Balance at 31 March 2010	**1,001,461**	346,544

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.

19 EXCEPTIONAL ITEMS

Exceptional administration costs

During the year to 31 March 2010, there were no 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 was 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	£
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
As at 1 April 2009	131,580
Fair value adjustment to Genesis-CNS earn-out through finance costs	13,857
Fair value adjustment to Genesis-CNS earn-out through goodwill	(44,162)
Genesis-CNS earn-out paid in year	(101,275)
As at 31 March 2010	**–**

The earn-out relating to Genesis/CNS amounting to £131,580 in 2009 was contained within current financial liabilities.

21 INVESTMENTS

Company

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

	2010 £	2009 £
Investment in Omega Diagnostics Limited	**1,752,884**	1,752,884
Investment in Genesis Diagnostics Limited	**1,815,623**	1,845,065
Investment in Cambridge Nutritional Sciences Limited	**4,063,553**	4,078,274
Investment in Co-Tek (South West) Limited	**480,978**	–
Investment in Bealaw (692) Limited	**1**	1
Investment in Bealaw (693) Limited	**1**	1
	8,113,040	7,676,225

The movement in the cost of the investment in Genesis Diagnostics Ltd of £29,442 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 £14,721 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.

Notes to the Financial Statements
(continued)

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.

	2010 £	2009 £
Net profit attributable to equity holders of the Group	**187,099**	221,041

	2010 Number	2009 Number
Basic average number of shares	**18,153,455**	15,356,991
Share options	**471,581**	–
Diluted weighted average number of shares	**18,625,036**	15,356,991

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 both the basic and diluted weighted average number of ordinary shares.

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

	2010 £	2009 £
Net profit attributable to equity holders of the Group	**187,099**	221,041
Exceptional items	**–**	80,301
Profit before exceptional items attributable to equity holders of the Group	**187,099**	301,342

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. At 31 March 2010 (and 31 March 2009) the Group has not entered into any hedge transactions.

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 £
2010		
Trade and other receivables	5%	33,635
Trade and other payables	5%	(8,593)
Cash and cash equivalents	5%	10,519
Bank loans	5%	(21,170)
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)

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 17 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.

Notes to the Financial Statements
(continued)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2010 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 £
2010					
Trade and other payables	616,258	–	–	–	616,258
Obligations under finance leases	20,242	49,871	76,909	–	147,022
Bank loans	74,101	219,864	428,514	–	722,479
Vendor loan	–	–	1,200,168	–	1,200,168
	710,601	**269,735**	**1,705,591**	**–**	**2,685,927**
2009					
Trade and other payables	691,078	–	–	–	691,078
Obligations under finance leases	24,468	69,339	147,223	–	241,030
Bank loans	78,784	233,686	749,135	–	1,061,605
Vendor loan	–	–	733,334	478,337	1,211,671
	794,330	303,025	1,629,692	478,337	3,205,384

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2010 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 £
2010					
Trade and other payables	375,835	–	–	–	375,835
Bank loans	74,101	219,864	428,514	–	722,479
Vendor loan	–	–	1,200,168	–	1,200,168
	449,936	**219,864**	**1,628,682**	**–**	**2,298,482**
2009					
Trade and other payables	488,760	–	–	–	488,760
Bank loans	78,784	233,686	749,135	–	1,061,605
Vendor loan	–	–	733,334	478,337	1,211,671
	567,544	233,686	1,482,469	478,337	2,762,036

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 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.

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 £
2010		
Cash and cash equivalents	25	1,614
Bank loans	25	(2,150)
Vendor loan	25	(2,750)
2009		
Cash and cash equivalents	25	1,406
Bank loans	25	(2,639)
Vendor loan	25	(2,750)

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 £
2010		
Cash and cash equivalents	25	159
Bank loans	25	(2,150)
Vendor loan	25	(2,750)
2009		
Cash and cash equivalents	25	240
Bank loans	25	(2,639)
Vendor loan	25	(2,750)

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 2010 and 31 March 2009. 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 2010 and 31 March 2009, including derivative financial instruments, represent the Group's maximum exposure to credit risk.

Notes to the Financial Statements
(continued)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Derivative financial instruments
The Group uses the following hierarchy for determining and disclosing the fair value of instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of the financial derivatives, detailed below, have been valued using the hierarchy above and have been categorised as level 2.

Consolidated and Company	2010 £	2009 £
Included in non-current assets		
Interest rate instruments	**196**	599
Included in non-current liabilities		
Interest rate instruments	**7,717**	10,700

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 19 August 2010 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 2010.

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 Andrew Shepherd as a Director of the Company.

4. To elect Mr Geoff Gower as a Director of the Company.

5. That in accordance with section 551 of the Companies Act 2006 the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("**Rights**") up to an aggregate nominal amount of £412,658.12 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the conclusion of the next annual general meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the directors in accordance with section 80 of the Companies Act 1985 or section 551 of the Companies Act 2006, but without prejudice to any allotment already made or to be made pursuant to such authority.

Special business

Resolutions 6 and 7 are proposed as special resolutions.

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

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

   6.2 the allotment of equity securities otherwise than pursuant to sub paragraph 6.1 above up to an aggregate nominal amount of £163,797.44;

   and provided that this power shall expire on conclusion of the next 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.

7. That the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association including the relevant provisions of the memorandum of association that would otherwise be treated as provisions of the Articles under section 28 of the Companies Act 2006.

By order of the Board

Kieron Harbinson
Company Secretary
15 July 2010

Notice of Annual General Meeting
(continued)

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 17 August 2010 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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Explanatory note to the Companies Act 2006 aspects of the changes to the proposed new articles of association

1 Resolution 7 is a special resolution to adopt amended articles of association of the Company ("Articles"). A copy of the proposed amended Articles, showing all the changes to the current Articles, is available on request from the Company Secretary and will be available at the meeting.

2 Background to the changes

2.1 Company law has recently been overhauled by the Companies Act 2006 ("the 2006 Act"). The 2006 Act has been coming into force in stages and the final provisions came into force on 1 October 2009. A number of provisions of the current Articles are inconsistent with the 2006 Act or are redundant because of the changes made by the 2006 Act. The board is recommending that the opportunity is taken for a resolution to be put to the AGM to adopt amended Articles to bring them into line with the 2006 Act and to update statutory references.

2.2 The principal changes proposed to be introduced by the amended Articles are summarised in paragraphs 3 to 15 below. Minor changes which merely reflect changes made by the 2006 Act have not been noted.

3 Authorised share capital

3.1 The 2006 Act abolishes the requirement for a company to have an authorised share capital. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

3.2 The effect of this resolution will be to remove the Company's authorised share capital and the proposed amended Articles reflect this.

4 Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its Articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the Articles. The proposed new article 5 contains such an authorisation. The Company has no plans to issue redeemable shares but, if it did so, the directors would need shareholders' authority to issue new shares in the usual way.

5 Suspension of registration of share transfers

The current Articles permit the directors to suspend the registration of transfers. Under the 2006 Act, share transfers must be registered as soon as practicable. The power in the Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power does not appear in the proposed amended Articles.

6 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its Articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Articles in their current form include these enabling provisions. Under the 2006 Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for Articles to contain enabling provisions. Accordingly, the proposed amended Articles do not contain the relevant enabling provisions.

7 Meetings and resolutions

7.1 Meetings other than annual general meetings are termed "general meetings" under the 2006 Act rather than extraordinary general meetings. The 2006 Act does not provide for extraordinary resolutions or elective resolutions.

7.2 The proposed amended Articles contain updated references accordingly and, where applicable, will replace references to extraordinary resolutions with references to special resolutions.

8 Voting by proxies on a show of hands

The Companies (Shareholders' Rights) Regulations 2009 amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The proposed amended Articles reflect these changes.

9 Voting by corporate representatives

The Companies (Shareholders' Rights) Regulations 2009 amended the 2006 Act to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and on a poll. The proposed amended Articles reflect this position.

10 Memorandum of association

10.1 The 2006 Act significantly reduces the constitutional significance of a company's memorandum. It provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act, the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association.

10.2 The effect of this resolution will be to remove all the provisions of the Company's memorandum of association which are deemed to be contained in the Articles. References to the Company's memorandum of association have been removed from the proposed amended Articles where appropriate.

Explanatory note to the Companies Act 2006 aspects of the changes to the proposed new articles of association (continued)

11 Vacation of office by directors

11.1 There is no longer a requirement for a director of a public company to retire when reaching the age of 70. The proposed amended Articles do not contain a reference to retirement by reason of age.

11.2 The Articles specify the circumstances in which a director must vacate office. The changes in the proposed amended Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model Articles for public companies produced by the Department for Business, Innovation and Skills.

12 Directors' conflicts of interest

12.1 The proposed amended Articles contain updated provisions dealing with directors' conflicts of interest in line with the 2006 Act.

12.2 The 2006 Act distinguishes between the interest of a director in a transaction or arrangement with the company ("Transactional Conflict") and an interest or duty of the director which conflicts, or possibly may conflict, with his duty to the company ("Situational Conflict").

12.3 Transactional Conflicts

12.3.1 The 2006 Act requires the director to declare the nature and extent of his interest to the rest of the board. Whether or not the director can count towards the quorum and vote on the transaction or arrangement depends on the company's articles of association.

12.3.2 The current Articles provide that a director with a Transactional Conflict – if the director's interest is "material" – cannot count towards the quorum or vote on the matter except in certain limited circumstances.

12.3.3 The proposed amended Articles update the 2006 Act's requirement to declare the nature and extent of the interest but continue to exclude the director from the quorum and voting on the relevant resolution except in specified circumstances.

12.4 Situational Conflicts

Directors are under a duty to avoid Situational Conflicts. The 2006 Act provides that the board of directors can authorise Situational Conflicts provided certain conditions and safeguards are met. For example, the director seeking authorisation of the conflict cannot count towards the quorum or vote when the board decides whether or not to authorise it. The proposed amended Articles expressly provide that the board of the Company will have the power under the 2006 Act to authorise directors' situational conflicts.

13 Use of seals

The 2006 Act includes a more flexible regime for execution of documents. Companies are no longer required to have a common seal and share certificates can be executed other than under seal. The proposed amended Articles reflect this.

14 Electronic communications

The 2006 Act makes it easier for companies and their shareholders to communicate with each other by electronic communication. The proposed amendments to the Articles would enable the Company to send notices and other communications by e-mail to shareholders who have agreed to receive such communications in this manner.

15 Indemnity

The 2006 Act does not provide for auditors to be indemnified out of the Company's assets. The proposed amended Articles reflect this.

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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