Going for growth...

Omega Diagnostics Group PLC Annual Report and Accounts 2011

Omega Diagnostics Group PLC is a public company quoted on the Alternative Investment Market (AIM) of 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.

Going for growth through…

The continued growth of Food Intolerance products along with the successful fundraising and completion of the acquisition of Allergopharma's IVD allergy business.

Breadth

Read more on page 4

The acquisition of the IVD business, combined with the follow-on instrumentation strategy, will significantly broaden the Group's range of products.

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, Tuberculosis, Dengue Fever, Chagas Disease and Malaria). The allergy business acquired in the year specialises in allergy tests used by doctors to diagnose patients with allergies.

Allergy and Autoimmune testing

The Allergy and Autoimmune division specialises in the research, development, production and marketing of in-vitro Allergy and Autoimmune tests used by doctors to diagnose patients with allergies or autoimmune diseases.

Read more on page 2

Food Intolerance

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

Read more on page 2

Infectious Disease/Other

The Infectious Disease division specialises in the research, development, production and marketing of kits to aid the diagnosis of Infectious Diseases.

Read more on page 2

Vision

Read more on page 6

The vision is to build a global allergy business by offering an automated instrument for a large product range to meet the workflow needs of larger laboratories as well as to continue to grow the two key product technologies, the Genarrayt® microarray test and Food Detective® for Food Intolerance.

Scale

Read more on page 8

The scale of the Group has been transformed with the successful acquisition of the allergy business and the appointment of a number of senior key people.

+27% Sales (+12% like-for-like)

+30% Gross profit (+12% like-for-like)

+21% Food Intolerance revenue

59.6% Gross margin level

+8% Infectious Disease/ Other revenue

+25% Adjusted PBT*

* Adjusted profit before taxation is derived by taking statutory profit before tax of £105k (2010: £210k) and adding back IFRS-related discount charges of £22k (2010: £95k), amortisation of intangible assets of £193k (2010: £109k), share-based payment charges of £8k (2010: £178k), acquisition costs of £412k (2010: £Nil) and fair value adjustments to financial derivatives of -£4k (2010: -£3k).

Company Overview

Omega Diagnostics currently operates in the fields of Allergy and Autoimmune, Food Intolerance and Infectious Disease. The acquisition of the IVD allergy business combined with the follow on instrumentation strategy will substantially increase the scale of the Group.

Allergy and Autoimmune testing

Specialising in the research, development, production and marketing of in-vitro allergy and autoimmune tests used by doctors to diagnose patients with allergies or autoimmune diseases.

What does this cover?

Allergy testing involves initial screening to detect the presence of IgE antibodies followed by testing against allergen groups to narrow down the cause of the allergic reaction. Confirmation is then obtained by carrying out a more detailed test against a small number of specific allergens to identify specific causes. Autoimmune diseases are caused by the body's immune system attacking healthy cells, organs, or tissues in the body. The Group's products detect antibodies produced by the patient in response to various disease states including microarterial diseases, connective tissue diseases, liver disease, rheumatoid arthritis and thyroid disease.

Product information

Supply of test kits that can test for reactions against more than 600 allergens as well as test kits for various autoimmune diseases.

Food Intolerance

Specialising in the research, development and production of kits to aid the detection of immune reactions to food.

What does this cover?

Certain Food Intolerances are caused by an immune response associated with a food protein. Detection of these IgG antibodies can be helpful in managing Food Intolerance and associated symptoms. The Group's products detect IgG antibodies to food proteins, which are characteristic of disease states such as Celiac Disease and Crohn's Disease.

Product information

Tests patients for reactions to different foods. Provides clinical analysis to the general public, clinics and health professionals as well as supply of consumer facing Food Detective® kit.

Infectious Disease/Other

Specialising in the research, development, production and marketing of kits to aid the diagnosis of Infectious Diseases.

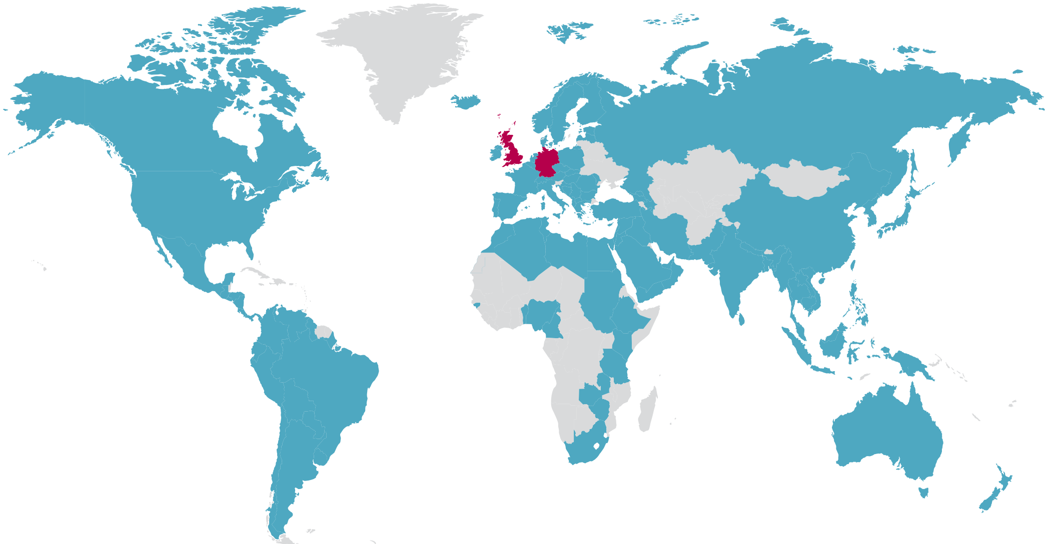
What does this cover?

The Group's products detect either the infectious disease agents, such as bacteria or viruses (antigens) or antibodies produced in response to the infection. The main Infectious Disease detected using the Group's products is Syphilis.

Product information

Supply of test kits to test for various Infectious Diseases including Tuberculosis, Typhoid, Dengue Fever, Chagas Disease and Malaria.

Geographic Presence



Distribution
Direct Presence

Segment Adjusted Profit before tax*

	2011	2010
	£37k	£157k
	2%	24%

Segment Adjusted Profit before tax*

	2011	2010
	£983k	£550k
	28%	19%

Segment Adjusted Profit before tax*

	2011	2010
	£406k	£386k
	14%	15%

* percentages above show segment adjusted profit before tax as a percentage of segment sales.

Product breakdown

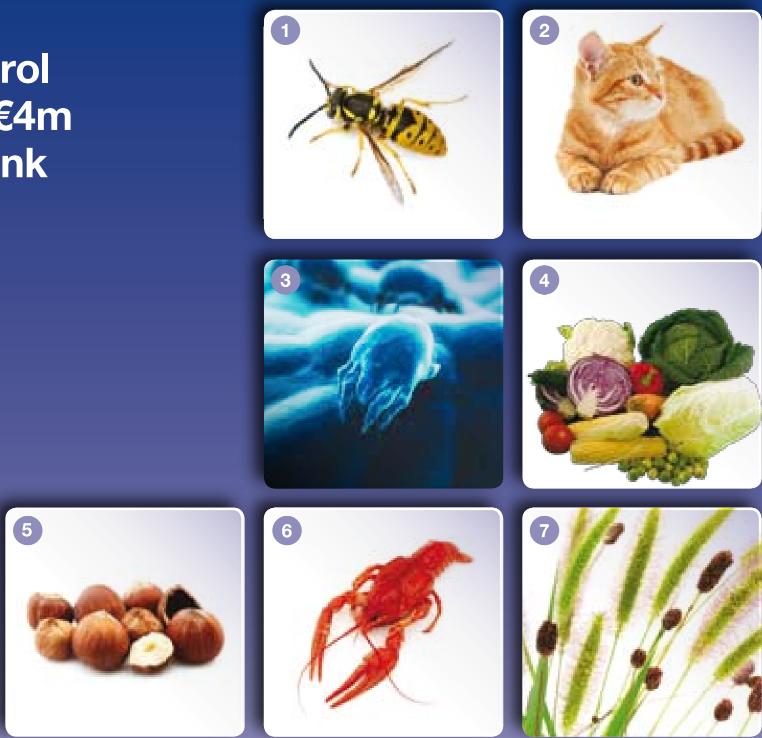
Allergendisc	£506K
IgE ELISA	£293K
Other	£81K
ECP	£75K
TOTAL	£955k

Going for growth with

Breadth

The acquisition of the allergy business gives the Group control of current annual revenues of €4m as well as access to a large bank of over 600 allergens.

1. Insects
2. Pets
3. Dust mites
4. Foods
5. Nuts
6. Seafood
7. Pollens



£955k

Total sales of Omega Diagnostics GmbH 3 month trading period.

Case study:

Allergopharma

The acquisition of the IVD business is intended to increase value for Shareholders.

On 21 December 2010 the Group acquired the in-vitro allergy business and certain assets from Allergopharma Joachim Ganzer KG.

The business specialises in the research, development, production and marketing of in-vitro allergy tests used by doctors to diagnose patients with allergies. The business supplies test kits that can test for reactions against more than 600 allergens.

The product range uses ELISA technology to test the serum of allergic patients. The product range comprises test kits and allergen discs as well as Allergodip, a Point of Care assay used to diagnose type 1 allergies such as allergic asthma, eczma and gastrointestinal allergies. The production facility is based in Reinbek, Hamburg, Germany.

The acquisition of the IVD business is intended to increase value for Shareholders through a two stage three-part strategy:

- Current IVD business allergy products will be sold throughout the existing Omega international distribution network.
- Developing an instrumentation strategy for performing allergy diagnostics through an automated 'closed system' through an agreement with Immunodiagnostic Systems Holdings Plc – developing this automated instrument will offer a platform to meet the needs of larger laboratories and allow increased revenue generation.
- Apply the Group's existing Genarrayt® microarray test platform to IgE allergy screening. Automation of the test procedure will allow more rapid processing of higher test volumes.

Large allergen bank

Automated system

Significant global opportunity

Going for growth with

Vision

As part of the strategy to build a global allergy business, the Group has been successful in exclusively licensing the use of Immunodiagnostic Systems IDS-iSYS automated system for allergy testing on a global basis, thus having the potential to offer an instrument capable of meeting the workflow needs of larger laboratories.

The Group will also adapt its in-house microarray system to provide a broad screening option for allergy testing, providing a choice of diagnostic approaches to allergy specialists and also aims to use the platform to develop a panel of autoimmune tests.

Product feature 1
The flexible IDS-iSYS system will bring efficiency benefits to the laboratory stemming from automated processing of the allergy testing work-load.

Product feature 2
All assay steps will be carried out on-board the instrument, eliminating the need for manual interventions. Bar-coding and other automation features will reduce the potential for error.

Product feature 3
An extensive test menu of 600+ allergens is envisaged.

600+

An extensive test menu of 600+ allergens is envisaged.

Case study:

IDS-iSYS

The flexible IDS-iSYS system will bring efficiency benefits to the laboratory.

The Directors believe that there is an opportunity to enter the global allergy testing market which is currently dominated by one large multinational company. The Directors' preferred approach, rather than incurring large development costs, with long timelines to market launch of a new instrument, is to licence the IDS-iSYS instrument.

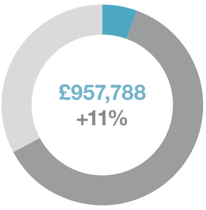
This is a proven instrument already established in immunoassay testing for multiple applications, which the Directors believe, after discussions with IDS technicians, requires only minor modifications to produce a competitive working system for allergy testing that will be able to process a higher volume of tests and thereby increase revenues for the Group.

Assay development time will be extensive due to the large number of individual allergy tests required on the test menu and this requires development funding which was secured as part of the successful placing in December 2010.

The agreement to licence the IDS-iSYS instrument was signed on 25 March 2011 and, combined with access to the large number of allergens through the IVD business, provides a major opportunity to build a strategically coherent presence in the expanding allergy market.

UK

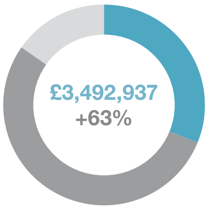
12% of total Group revenue



- Allergy and Autoimmune £53,544 (-35%)
- Food Intolerance £590,936 (+9%)
- Infectious/Other £313,308 (+75%)

Europe

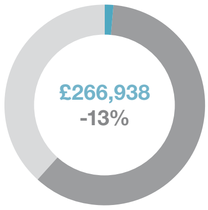
44% of total Group revenue



- Allergy and Autoimmune £1,091,696 (+522%)
- Food Intolerance £1,876,106 (+16%)
- Infectious/Other £525,135 (+28%)

North America

3% of total Group revenue



- Allergy and Autoimmune £4,319 (-38%)
- Food Intolerance £159,720 (-2%)
- Infectious/Other £102,899 (-25%)

Going for growth with Scale

Omega has made key appointments to its senior management team.

Edward Valente, PhD
Allergy Systems Director

Aged 52, Edward Valente joined Omega as Allergy Systems Director in March 2011 and has responsibility for the development of new allergy products for the Group. He has been in the diagnostics industry for 28 years.

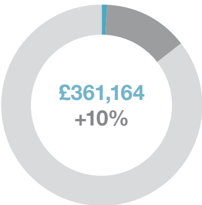
After completing his studies in organic chemistry in Glasgow, his career started in 1983 at Amersham International. There he held scientific and managerial positions in clinical diagnostics research and development. He then joined Shield Diagnostics in 1988 and held managerial positions in R&D and marketing.

Latterly, he has been responsible for market development of new markers, including clinical studies, and design and development of immunoassay products on automated platforms for industry majors.

... in the diagnostics industry for 28 years.

South/Central America

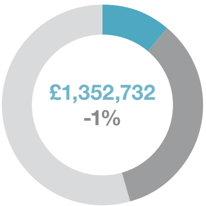
5%
of total Group revenue



- Allergy and Autoimmune
  £3,953 (-13%)
- Food Intolerance
  £49,134 (+95%)
- Infectious/Other
  £308,077 (+3%)

Asia and Far East

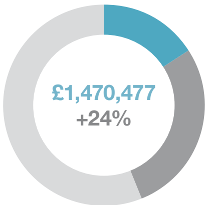
17%
of total Group revenue



- Allergy and Autoimmune
  £152,062 (+4%)
- Food Intolerance
  £467,551 (+9%)
- Infectious/Other
  £733,119 (-7%)

Africa and Middle East

19%
of total Group revenue



- Allergy and Autoimmune
  £233,631 (-3%)
- Food Intolerance
  £415,662 (+141%)
- Infectious/Other
  £821,184 (+6%)

+134%

Allergy and Autoimmune revenue up by 134%.

... gained extensive experience in the life science industry for more than 20 years.

Ernst Mohler, MBA
Managing Director, Omega Diagnostics GmbH

Aged 50, Ernst Mohler joined Omega Diagnostics GmbH as Interim General Manager in October 2010 and has taken up the permanent position of Managing Director of the Company with effect from 1 May 2011. He has been instrumental in leading the seamless integration of the IVD business acquired from Allergopharma Joachim Ganzer KG.

He has gained extensive experience in the life science industry for more than 20 years. After graduating with a Master of Business Administration, he started his career at Schering AG in 1988 and held different positions in the international division, controlling finance and supply chain areas.

In 1998 he joined the German subsidiary of the Spanish life science group Grupo Ferrer Internacional S.A., first as Finance Director and later as Managing Director. In 2008 he established himself as an interim manager and led a post-merger integration project for CompuGroup Medical AG in the Middle East.

Chairman's Statement

The potential for the Group has been transformed with the successful acquisition of a leading German-based allergy business.

Dear Shareholder
I am pleased to report the progress we have made this year, particularly in driving the continued growth of Food Intolerance products, along with the successful fundraising and acquisition of Allergopharma's IVD Allergy business.

Strategy

The strategy to achieve growth through acquisition took a major step forward in the year, with the completion of the acquisition of Allergopharma's allergy business in December. As well as gaining control of the existing business in Germany with annual revenues of approximately €4m, we have also gained access to a large bank of over 600 allergens. As part of the strategy to build a global allergy business, we sought to expand the market potential by identifying the need to offer an automated instrument for such a large product range to meet the workflow needs of larger laboratories. To this end, the Group was successful in exclusively licensing the use of Immunodiagnostic Systems' IDS-iSYS automated system for allergy testing on a global basis. Whilst it will take time to develop tests on this platform, I believe the combination of a large number of allergens and the proven capabilities of the IDS-iSYS system provides a major opportunity to build a strategically coherent presence in the expanding allergy market. We also aim to adapt our in-house microarray system to provide a broad screening option for allergy providing a choice of diagnostic approaches to allergy specialists and if successful, we will also look to use the microarray platform to develop a panel of autoimmune tests.

Within our underlying business, we have previously recognised the need for continued growth of the Food Intolerance business and I am pleased to report that this division has again delivered growth in turnover. Sales of Genarrayt® systems and reagents have continued to perform with combined revenues of close to £1.7m compared to just over £1m last year. Elsewhere, our Infectious Disease business benefited from a full year of ownership of Co-Tek with sales of bacterial suspensions of £349k versus £176k the year before.

After the year end, we also announced a distribution agreement with Toyota for Food Detective® in the United States. Whilst it will take some time to complete the regulatory procedures, this will also be the first time the Group has been able to initiate a strategy of potentially building a presence in the US.

Financial

Turnover for the Group increased to £7.9 million (2010: £6.2 million), an increase of 27% over last year, and includes three months of post acquisition trading from our German business. On a like-for-like basis excluding the acquisition, turnover has increased by 12% over the previous year. On the measure

The current instrument systems are used in laboratories in Germany and there is export potential through the Omega worldwide distribution network.

of profit, we consistently report on adjusted profit before tax so shareholders can more easily gauge our performance as compared to external market forecasts. The Group achieved an increase in adjusted profit before tax of 25% to £736k. This figure is arrived at by taking statutory profit before tax of £105k and then adding back analyst-adjusted items including IFRS-related discount charges of £22k, amortisation of intangible assets of £193k, share-based payment charges of £8k, acquisition costs of £412k, and fair value adjustments to financial derivatives of (£4k). In line with revised accounting standards, acquisition-related costs are now charged through the income statement which is a change over previous years.

Net finance costs have reduced further to £31k (2010: £97k) as the Company has continued to benefit from the benign environment for interest rates along with a continued reduction in loan balances and unwinding of discounts.

The Group achieved an adjusted profit after tax of £662k being adjusted profit before tax of £736k less the tax charge of £74k. This resulted in adjusted earnings per share of 1.7p (2010: 3.1p). Statutory profit after tax amounted to £31k (2010: £187k) which resulted in earnings per share of 0.1p versus earnings per share of 1.0p in the previous year.

In recognition of our presence in the allergy market, we are also amending the way we manage, review and report the performance of the business into three key segments; Food Intolerance, Allergy and Autoimmune and Infectious Disease/other. Where central costs are not allocated to any specific segment, these are shown as corporate costs and excluded from the divisional reporting results.

Food Intolerance

The Food Intolerance division benefited from the continued growth in Genarrayt® systems. Total systems placements reached 95 by the end of the year and the relatively low cost per system means we continue to generate revenue from this activity with sales this year of £192k (2010: £213k). Reagent sales grew substantially, particularly in Spain, and total revenues reached £1.5 million compared to £0.8 million last year.

Food Detective® volumes grew following progress in supplying bulk components into China such that annual volumes reached over 41,000 compared to over 34,000 the year before. Food Detective® revenues fell marginally from £790k to £772k reflecting the mix towards bulk component supply but future growth is foreseen in countries beyond Europe which has historically underpinned much of the growth to date.

Overall, the Food Intolerance division generated revenues of £3.6 million compared to £3.0 million the year before and adjusted profit before tax grew to approximately £1.0 million from £0.6 million.

Allergy and Autoimmune

In June last year, we set up Omega Diagnostics GmbH ('Omega GmbH') to acquire the allergy business from Allergopharma Joachim Ganzer KG, a transaction which completed on 21 December 2010. Omega GmbH incurred costs of approximately £90k in advance of acquiring the allergy business and incurred costs of a one-off nature of £120k between the acquisition and the end of the year. Divisional turnover was approximately £1.5 million versus £0.7 million the previous year reflecting three months of trading through Omega GmbH not present last year. Sales of autoimmune products fell by 11% to £584k (2010: £658k) reflecting increased competition from other companies, who are able to supply more automated solutions although developing our in-house microarray system may, in part, address this issue. Given the investment costs within Omega GmbH I have referred to, the adjusted profit before tax of this division was £37k compared to £157k the year before. Excluding these start up costs, underlying profitability in this division would have been over £200k. However, in the years ahead we see this division as having the potential to provide significant growth opportunity and I have alluded to the means of achieving this in the strategy section above.

Infectious Disease/Other

Our Infectious Disease division continues to operate in a price competitive environment across all the continental regions. Sometimes however, the supply of a quality product can make the difference and we have seen some business regained, particularly in Russia, where we lost out previously on price but have won back a customer for our Syphilis Immutrep™ product on quality and reputation. Following the acquisition of Co-Tek in 2009, we have also seen some growth both in our Micropath™ range of bacterial suspensions, particularly in Africa and the Middle East, and increased supply through UK OEM contracts. Overall, divisional turnover was approximately £2.8 million (2010: £2.6 million) and yielded an adjusted profit before tax of £406k (2010: £386k).

Balance sheet

Following the acquisition in the year, the Group has intangible assets of £9.6 million (2010: £5.2 million) at the year-end comprised of goodwill of £5.0 million and intangible assets of £4.6 million. Those assets purchased as part of a business combination, where capable of being separately identified, are valued in line with current IFRS practice. Also included within intangible assets are paid and contracted licence fees due under the agreement signed with IDS. The Group performs annual impairment reviews and remains comfortable with the carrying value of its intangible assets given the growth and results for the year just ended along with future prospects.

Further to the placing of new shares in the year to raise funds (see below), the Group has eliminated its net debt position and now has net cash at the year-end of £0.4 million (2010: net debt of £1.26 million).

Fund raising

In December, the Company successfully raised £7.75 million (before expenses) via the placing of 64,583,350 new ordinary shares to fund the acquisition of the German allergy business and the development of the new instrumentation strategy I refer to above (see strategy section). We are very grateful for the support of our existing and new shareholders and hope to deliver a growth in value based on our outlined strategy.

Board and employees

I am grateful for the work and effort of all employees who ensured we have again delivered a promising set of results. I am also pleased to report that after the year-end, we appointed Jag Grewal as Group Sales and Marketing Director. We have also strengthened the senior management team with the appointment of Mr Ernst Mohler as Managing Director of Omega Diagnostics GmbH and Dr Edward Valente as Allergy Systems Director and I look forward to working with Andrew and the expanded team to deliver the new potential that now exists within the Group.

Outlook

Trading in the first quarter of the year is in line with management expectation and we are optimistic for the export potential of the existing allergy products, having recently showcased these at an international trade show. Our ability to grow strategically in the allergy space is predicated on our ability to develop new tests on the IDS-iSYS system and the early signs from the development programme are cause for encouragement.

I look forward to updating you throughout the year.

David Evans
Non-executive Chairman
1 July 2011

Chief Executive's Review

Our latest acquisition of the Allergy IVD business of Allergopharma in December 2010 provides us access to the high value allergy testing market. We believe that this acquisition, together with two high profile instrument development programmes, will be transformational for the Group going forward which will significantly enhance the Group's growth prospects.

I am pleased to report that the Group has seen an increase in revenue for the year to £7.90 million, some 27.4% ahead of last year's figures (2010: £6.20 million) with like-for-like sales increasing by 12%.

Strategy

While increasing revenue and profits through organic growth, significant progress was made in the year by acquiring the business and certain assets of the Allergy IVD business of Allergopharma. The allergy tests acquired complement the Group's core Food Intolerance product offering. As well as the acquisition, it was recognised that to add more value we would need to enhance the future product offering by developing two new instrument systems which would allow us to access higher volume testing laboratories. (See Research and development).

Food Intolerance

Food Intolerance testing has seen growth of 21% in the year resulting in sales of £3.56 million (2010: £2.95 million).

For the Genarrayt® laboratory system and on-going reagent sales we have seen good growth in sales to £1.68 million (2010: £1.04 million). This growth has been achieved by the installation of 38 new systems as well as increasing the number of countries active with Genarrayt® by six. This now brings the total number of installed systems to 95 since launch. Sales of Genarrayt® systems fell slightly to £192k (2010: £212k) but sales of reagent kits increased dramatically to £1.49 million (2010: £828k). This shows the pull through effect of promoting Food Intolerance testing by placing new instruments and promoting test usage in partnership with our distributors.

The Food Detective® test for Food Intolerance has seen sales fall marginally to £772k (2010: £790k). The number of countries where we have now sold product has continued to increase to 54 (2010: 46) with an increase in volumes to 41,665 kits (2010: 34,241). These volumes included bulk components supplied to a Chinese customer who assembles the kits locally with the effect that revenue has fallen marginally. The process of product registration in China is still proceeding but we are still managing to secure small sales for market seeding and evaluation purposes. Product registration has recently been achieved in India for an Indian specific test panel and the product was launched in February 2011 by our partner in India, Thermo Fisher Scientific.

The UK market for Food Detective® has seen a reduction in sales to £127k (2010: £216k) following a move to using professional re-sellers with lower transfer pricing in return for higher volume sales. In response to this result we have taken steps to return to direct selling ourselves by using web-based

"We fully expect that our anticipated growth in the BRIC countries will yield major growth."

BRIC Country Information
2011 Sales

Brazil	£219,861
Russia	£89,287
India	£498,623
China	£96,557
TOTAL	£904,328

2010 Sales

Brazil	£146,630
Russia	£12,776
India	£479,696
China	£64,817
TOTAL	£703,919

marketing activities and targeted marketing to key customer groups. The testing services for Food Intolerance and other related tests have shown an increase in business to £452k (2010: £371k) which has mainly been due to increased sales to offshore accounts who send samples into the CNS laboratory for testing.

After the year end we signed an agreement with Toyota Tsusho America Inc for distribution of Food Detective® in the United States. There is an anticipated timeline of approximately one to two years to gain clearance by the US Food and Drug Administration ('FDA') before we can start selling the product but we believe the potential market to be substantial.

Allergy/Autoimmune Disease

Allergy

Since acquiring the Allergy range in December 2010 sales of £955k have been achieved which has been dominated by sales to the German domestic market. Export sales to Russia and Poland have commenced and it is the growth of export sales through the Omega distribution network that is a priority for the Financial Year ahead.

Autoimmune Disease

Sales of autoimmune tests decreased by 11% to £584k (2010: £658k) as a direct result of not being able to supply a dedicated instrument platform in an increasingly automated market. We see further reductions in this business likely unless we can offer an instrument platform or technology to compete in this market. The application of the Genarrayt® microarray technology to autoimmune disease testing still remains a possibility but other options are also being explored.

Infectious Disease/Other tests

Sales of Infectious Disease and Other tests increased to £2.80 million (2010: £2.59 million) for the year representing an increase of 8% which reversed the trend over recent years. This was in part due to increased sales of the Micropath® stained bacterial suspensions produced by our Co-Tek subsidiary which we acquired in September 2009. Other growth came from regaining previously lost business and new OEM contract wins with our Immutrep® Syphilis product range.

Distribution network

Growth has been recorded in most geographic regions of the world with the exception of North America which reduced by 13% to £267k (2010: £307k) due to lost tenders in several markets. The Asia/Far East region dropped marginally by 1% to £1.35 million (2010: £1.36 million). These reductions were more than offset by good growth in Africa/Middle East with sales rising by 24% to £1.47 million (2010: £1.19 million) and in the UK/European market by sales rising 48% to £4.45 million (2010: £3.01 million) as a result of the new additional allergy tests from our German subsidiary and strong performance with key users of the Genarrayt® Food Intolerance products. Sales to South/Central America rose by just over 10% to £361k (2010: £328k).

In last year's Report I mentioned the good growth rates being experienced in the IVD sector in Brazil, India and China. In the year, we have made efforts to concentrate on and expand our business in the BRIC group of countries (Brazil, Russia, India and China) and we have achieved some success in three out of the four target countries. In Brazil we increased sales by 50% across the Group, achieving total sales of £220k (2010: £147k), in Russia we increased sales by over 500% to £89k (2010: £13k) and in China we increased sales by 49% to £97k (2010: £65k). Only India showed marginal growth at 4% with sales rising to £499k (2010: £480k). However, with the signing of the Food Detective® distribution agreement with Thermo Fisher Scientific in the latter part of the year, we expect this to provide a positive impact in the year ahead. Several other initiatives are being explored to enhance our growth in these key countries.

Research and development

Our move into the allergy testing market now drives our R&D activity with the development of two new allergy instrument platforms, both of which are being funded by the Allergopharma acquisition fund-raising.

1. IDS-iSYS – in March 2011 we signed an exclusive Licence Agreement with Immunodiagnostic Systems Holdings plc (IDS) for the worldwide rights to develop and distribute allergy tests on its successful and US FDA-cleared IDS-iSYS automated instrument. IDS will supply the instruments and other consumables necessary to enable us to develop and distribute allergy tests through our worldwide distribution network. Although the development will take around one year to complete, the early signs are encouraging.
2. Genarrayt® – we are aiming to apply the expertise used to develop and produce the IgG Food Intolerance microarray technology to routine IgE allergy testing. This requires development and adaptation of the existing technology so that it can be used on an automated testing instrument which will allow the test to be used in higher test volume laboratories. Initial feasibility studies have proven successful but a substantial effort is still required before a product and new instrument can be launched.

Work was also completed on an Indian variant of the Food Detective® macroarray test which completed its registration formalities during the year and was formally launched in India in February 2011.

Outlook

The outlook for the new financial year is very encouraging with the addition of the allergy test range and with other organic growth opportunities being actively pursued. There are still difficulties with some Eurozone countries but we fully expect that our anticipated growth in the BRIC countries will yield major growth going forward and counter any negative effects experienced elsewhere in the world.

The recent announcement of 19 May 2011 regarding Cinven's intended disposal of Phadia to Thermo Fisher Scientific on a 6.7x multiple of revenue and 16.6x EBITDA only goes to show the high valuations possible in the world of allergy testing. With our recent acquisition and the new development programmes which we have commenced in this year, it is our ambition to add significant value to the Group. Going forward we expect to see this reflected in a share price which more accurately reflects the true value of the Group.

Andrew Shepherd
Chief Executive
1 July 2011

Financial Review

The successful placing to raise £7.75 million has enabled the Group to acquire a presence in the highly attractive allergy market.

The Group has reported an increase in adjusted profit before tax of 25%, up to £735,831 (2010: £589,511). The Group reports on adjusted profit before tax (excluding IFRS-related items of share-based payment charges, amortisation of intangible assets, discount charges, fair value adjustments to financial derivatives and acquisition costs) to provide a better understanding of the results of our normal trading activities compared to external research forecasts. In the year, the Group set up Omega Diagnostics GmbH ('Omega GmbH'), a wholly owned subsidiary, to acquire the IVD Allergy Business from Allergopharma which completed at the end of December 2010. The Group results contain the results of Omega GmbH, which include costs incurred before the acquisition of the IVD Allergy Business as well as the contribution from three months of trading for the period from acquisition to 31 March 2011. The Group is also now reporting across three main divisions comprised of Food Intolerance, Allergy/ Autoimmune and Infectious Disease/Other.

Trading activities

Revenue

Total revenue for the year grew by 27% to £7,902,036 (2010: £6,198,742). On a like-for-like basis excluding the allergy revenue from Omega GmbH, sales grew by 12%. On a divisional basis, revenues were as follows:

Food Intolerance

Revenue for our Food Intolerance division underwent good organic growth of 21% to £3,559,110 (2010: £2,953,040). Sales of Genarrayt® systems and kits had a strong performance, particularly in certain European and Middle Eastern countries and the provision of consumables to an overseas customer to enable them to launch their own Foodprint® laboratory service has also met with some success.

Allergy and Autoimmune

Revenue from the Allergy and Autoimmune division was supplemented by the acquisition of the Allergy IVD Business of Allergopharma in December 2010. Allergy revenue in the three months of trading post acquisition amounted to £955,153, the majority of which is derived in Germany from sales to end-user doctor practices. Sales of Autoimmune products decreased in the year by 11% due to the activity of competitors able to offer more automated instrumentation solutions, particularly in Italy and the UK.

Infectious Disease/Other

The Infectious Disease division operates in the most price competitive sector of the IVD market. Despite this, revenue from this division has grown by 8% to £2,803,720 (2010: £2,587,818). The division benefited from a full year of revenue through our Co-Tek subsidiary which supplies products for bacterial infections. We were also successful with our Immutrep® range of Syphilis products in Russia, winning back business lost in previous years and in Brazil, gains were made across a range of products. These increases in sales more than offset reductions seen in Australia and Iran.

Gross profit

Gross profit for the year was £4,706,294 (2010: £3,616,220) yielding a small overall improvement in gross margin percentage to 59.6% (2010: 58.3%). However, the performance in the second half of the year has shown a bigger improvement, yielding a margin of 61.1% compared to 57.4% in the first half of the year. This is primarily down to two factors; firstly, the benefits of higher margins achievable in the allergy sector and secondly, a reflection of twice as many Genarrayt® systems being sold in the first half compared to the second half and on which lower margins are returned. We expect the gross margin to continue to increase in the future as more of the divisional mix will shift to the higher margin allergy business.

Administration costs

Administration costs have increased by £1,000,202 to £3,508,810 (2010: £2,508,608). The single largest rise is attributable to additional costs of £521,102 (2010: £Nil) through Omega GmbH which includes £74,155 (2010: £Nil) of intangible asset amortisation and £32,117 (2010: £Nil) of depreciation through this entity itself. Also included are acquisition-related costs of £412,045 (2010: £Nil) following the adoption of IFRS3 Revised which requires such costs to be shown through the income statement as opposed to the balance sheet as previously.

The remaining net increase of £67,055 may be accounted for as follows; intangible asset amortisation at Group level (i.e. additional to £74,155 above) has increased by £10,002 reflecting a full year of ownership of Co-Tek. Depreciation excluding GmbH has increased by £9,251 reflecting the growth in the capital asset base. General headcount and infrastructure costs have risen by £218,304 in line with the increasing size of the Group and share-based payment charges have reduced by £170,502 which reflects the end of the vesting period in the prior year of a large block of share options granted in December 2008.

Selling and marketing costs

Selling and marketing costs have increased by £268,395 to £1,069,027 which is predominantly down to the additional costs through Omega GmbH.

Adjusted profit before tax

As mentioned above, the Group 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 increased by 25% to £735,831 (2010: £589,511). There is a full reconciliation on page 28 between adjusted profit before tax highlighted here and the statutory profit before tax of £105,124 (2010: £210,008). In line with the new divisional reporting structure, the adjusted profit before tax of each division is summarised as follows:

Food Intolerance

This division reported adjusted profit of £983,285 (2010: £550,053) providing a net contribution of 28% (2010: 19%) the growth of which is primarily represented by the increase in the higher margin Genarrayt® business in Spain. This division remains the largest segment of the Group at present and continues to offer growth, especially in BRIC countries as highlighted by Andrew on page 12.

Allergy and Autoimmune

This division reported adjusted profit of £36,604 (2010: £157,058) providing a net contribution of 2% (2010: 24%). The apparent reduction is accounted for by the setting up of Omega GmbH prior to the acquisition of the German Allergy Business. Costs of £90,420 were incurred prior to the acquisition to ensure key people and systems were organised and implemented, reflecting the 'carve-out' nature of the transaction and the need to ensure the acquired business was functionally operational from day one. A large element of this cost was the hiring of key personnel on an agency basis which provides for a quicker appointment but is traditionally more expensive than hiring on a permanent basis. The higher level of cost continued to be incurred up until the year-end but we have been fortunate in converting two people into permanent positions after the year end which will save resources going forward.

Infectious Disease/Other

This division reported adjusted profit of £405,874 (2010: £386,102) and a net contribution of 14% (2010: 15%). As noted above, this sector is the most competitive sector in which the Group operates and is the most mature by product range. Nevertheless, the Group has managed to maintain performance and will continue to look at niche opportunities.

Corporate costs

Centralised costs which are regarded as not relating to any division in particular are treated as corporate costs within our segmental reporting as highlighted on page 40.

Finance costs

Finance costs reduced further in the year to £33,052 (2010: £97,909) principally due to lower discount unwinds of £72,990 on the vendor loan note and the falling away of Genesis-related earn-out payments which were finally settled last year. Interest on bank borrowings and finance leases reduced by £17,069, reflecting the average reduction in borrowing levels and net gains on financial derivatives. Currency gains on US dollar borrowings reduced by £25,202 but still showed a small gain overall of £16,776 (2010: £41,978).

Taxation

There is a tax charge of £73,667 (2010: £22,909) in the year, comprising a charge for current tax of £125,148 (2010: £33,177) and a deferred tax credit of £51,481 (2010: £10,268). The apparent rise in the tax charge compared to unadjusted profit before tax is due to the non-deductibility of acquisition-related costs and intangible asset amortisation for tax purposes. 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

Adjusted earnings per share (EPS) amounted to 1.7p (2010: 3.1p) and is arrived at by taking adjusted PBT of £735,831 minus the tax charge of £73,667 and dividing by 38,278,631 being the weighted average number of shares in issue for the year. The IFRS measure of EPS amounted to 0.1p in the year (2010: 1.0p).

Acquisitions

Acquisition of IVD Allergy Business from Allergopharma

During June 2010, the Group set up Omega Diagnostics GmbH as a wholly owned subsidiary with the purpose to acquire the Allergy Business previously belonging to Allergopharma in Reinbek, Germany. The transaction completed on 21 December 2010 following the successful placing of new shares to raise funds to meet the acquisition price. The Group paid a cash consideration of £4.9 million after working capital adjustments at completion and related acquisition costs amounted to £1.1 million. There is further detail in note 8 to the Financial Statements.

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 exchange rate between sterling and the US dollar has been relatively stable throughout the year such that a translation gain of £16,776 (2010: £41,978) has been recorded on these borrowings offset by a loss on trading operations of £22,108 (2010: £28,146) included within Administration costs.

The Group's net investment in and funding of Omega GmbH is in euros, which will give rise to foreign exchange variations from one period to another. In the year, a foreign exchange gain arose of £189,009 which has been included within other comprehensive income.

Interest rate management

The Group operates certain derivative financial instruments for its sterling and US dollar borrowings. In the case of its sterling loan, the Group has 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 has 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 £4,086 (2010: £2,580). Accordingly, at the balance sheet date, the Group had assets of derivative financial instruments of £Nil (2010: £196) and liabilities of derivative financial instruments of £3,435 (2010: £7,717).

Financing

In December 2010, the Group successfully raised £7.75 million of new equity finance before expenses of £1.1 million, to fund the acquisition of Allergopharma's IVD Allergy Business for £4.9 million. The additional working capital is being used to fund worldwide exclusive access to the fully automated IDS-iSYS instrument, licensed from Immunodiagnostic Systems, for allergy use. The funds will also be used to develop allergy tests from the wide bank of allergens which we now have so that they may be run on this closed-system platform and we also aim to adapt our in-house microarray platform so that this too may provide a fully automated solution for a broad range of allergens in a single screen.

The fundraising involved the issue of 64,583,350 new ordinary shares to existing and new shareholders and we are grateful to the support we received in enabling the Group to enter the exciting allergy sector of the IVD market.

Cash flow

Net cash inflow for the year was £1,355,113 (2010: £66,246) which meant that at the year end, the Group had cash and cash equivalents of £2,054,877 (2010: £678,800). Net cash flow generated from operations appears on the face of the Cash Flow Statement as £348,183 (2010: £212,283). The change to adopting IFRS 3 (Revised) requires acquisition-related costs to be expensed through the income statement and to be treated as an operating cashflow, despite the fact that these costs would not have been incurred without the underlying investing activity of acquiring the allergy business. Excluding these acquisition-related costs, cash flow generated from operations is £760,228. With the excess of new funds raised over and above the outflow on the acquisition in the year, the Group has eliminated its net debt and had net cash of £446,546 (2010: £1,258,376 net debt) at the year-end.

Capital management

The Group funds its operations with a mixture of short-term 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. The financial performance of the Group is measured and monitored on a monthly basis and the Group manages its working capital requirements to ensure it continues to operate within the covenant limits applicable to any borrowing facilities. The use of funds for acquisitions is closely monitored by the Board so that existing funds are not adversely impacted by such activity and the Board reviews and approves an annual budget to help ensure it has adequate facilities to meet all its operational needs.

Outlook

I am encouraged with the ongoing integration of Omega GmbH into the Group and trading in the first two months of the new financial year has contributed unaudited profit of approximately £120k in this period.

Kieron Harbinson
Group Finance Director
1 July 2011

Strategy and KPIs
How do we measure our performance?

	Aims and objectives	Progress made in 2010/11
Key performance indicator 1: **Sales**	Continue to grow both organically and by acquisition.	Organic growth of 12% achieved and acquisition completed.
Key performance indicator 2: **Gross margin**	Increase gross margin level.	Gross margin increased by 1.3%.
Key performance indicator 3: **Adjusted Profit before tax**	Increase by 10% on prior year.	Increased by 25% and contribution going forward from allergy acquisition.
Key performance indicator 4: **Food Intolerance – Genarrayt®/Value**	Continue to increase instrument placements and enter new territories.	38 new instruments installed in the year and six new territories entered.
Key performance indicator 5: **Food Detective/ Value**	Given significant prior year growth, maintain revenue levels and increase number of countries product is sold to.	Sales levels marginally down on prior year but eight new countries with product sales.

Strategy for 2012

2011	£7.9m	+27%*
2010	£6.2m	+14%
2009	£5.4m	+56%**
2008	£3.5m	+72%
2007	£2m	-5%

* like-for-like +12%
** like-for-like +20%

Grow sales from Germany through export potential of allergendisc products.

2011	59.6%	+1.3%
2010	58.3%	-3.29%
2009	61.5%	+7.1%
2008	54.4%	+13.5%
2007	40.9%	+0.4%

Continue growth in gross margin, assisted by acquisition of IVD business.

2011	£736k	+25%
2010	£589k	+8%
2009	£540k	+81%
2008	£298k	+446%
2007	£(86)k	-153%

Increase significantly due to the effect of German export sales noted above, offset by increase in R&D spend to develop allergy based offerings on the two automated platforms.

2011	£1,490k	+80%
2010	£720k	+44%
2009	£574k	+35%
2008	£424k	–
2007		–

Continue to grow sales organically, assisted by increase in instruments placed.

2011	£772k	-2%
2010	£790k	+152%
2009	£314k	+44%
2008	£217k	–
2007		–

Increase sales in China as well as export sales.

Board of Directors

Jag Grewal joined Omega in June 2011 as Group Sales and Marketing Director. Jag has worked in diagnostics for 20 years and is past chairman and current treasurer of the British In Vitro Diagnostics Association (BIVDA).

David Evans, CA
Non-executive Chairman

Aged 51, 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 55, Andrew Shepherd is the Founder and Managing Director of Omega. 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. He has used his technical experience and knowledge of exporting to oversee the growth of Omega products with exports now exceeding £6.9 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 46, Kieron Harbinson joined Omega in August 2002 as Finance Director. He is responsible for finance, information technology, human resources and operations planning. He 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 66, 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.

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 he 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 55, Geoff Gower joined Genesis and CNS as Managing Director in May 2009. He is responsible for the performance and development of both Companies. He 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. He 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.

Jag Grewal, BSc (Hons), MSc, MBA
Group Sales and Marketing Director

Aged 42, Jag Grewal joined Omega in June 2011 as Group Sales and Marketing Director. He has worked in diagnostics for over 20 years having started out as a Clinical Biochemist in the NHS. In 1995 he joined Beckman Instruments where he developed a career spanning 15 years in sales and marketing holding a variety of positions in sales, product management and marketing management. In 2009 he left as Northern Europe Marketing Manager to join Serco Health where he helped create the first joint venture within UK pathology between Serco and Guys and St Thomas' Hospital. He is also past chairman and current treasurer of the British In Vitro Diagnostics Association (BIVDA).

Directors' Report

The Directors present their Annual Report and Group financial statements for the year ended 31 March 2011.

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 diagnostics products.

Results and dividends
The result for the year is a profit of £31,457 (2010: profit of £187,099) which has been taken to reserves. The Directors do not propose to pay a dividend. The results are disclosed in more detail in the Chairman's Statement on pages 10 to 11 and the Financial Review on pages 14 to 15.

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 2011 is £31,021 (2010: profit of £212,537).

Business review and future development
A review of business and future development is discussed in more detail in the Chairman's Statement, Chief Executive's Review and Financial Review commencing on pages 10, 12 and 14 respectively. Key performance indicators are disclosed and discussed on pages 16 and 17.

Research and development
Research and development activity has increased in the year. Details of research and development activity are contained in the Chief Executive's Review on pages 12 to 13. Costs in the year amounted to £250,055 (2010: £209,747) and were all expensed through the statement of comprehensive income.

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
Jag Grewal (appointed 30 June 2011)

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 2011 and the date of this report.

Major interests in shares
As at 13 June 2011 the Company had been notified that the following shareholders held more than 3% of the Company's issued ordinary share capital:

	Number of 4p Ordinary shares	Percentage
Legal & General Investment Management	15,300,000	17.95%
Matrix VCT plc	12,499,900	14.67%
Octopus Investments	11,196,870	13.14%
Brewin Dolphin Securities	5,236,502	6.14%
Unicorn AIM VCT plc	4,266,650	5.01%
Williams de Broe	4,118,601	4.83%
JM Finn Nominees Limited	3,821,000	4.48%
David Evans	2,870,134	3.37%
Hargreave Hale Nominees Limited	2,836,244	3.33%

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 2011 were equivalent to 57 days (2010: 61 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 financial statements 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 (2010: £Nil) nor any political donations (2010: £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
1 July 2011

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

No Director was issued with any options in the current year. In the prior year, on 5 May 2009, Geoff Gower was issued with an option over 20,000 ordinary shares of the Company under the Company's EMI Share Option Scheme 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 12 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.

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, Kieron Harbinson and Geoff Gower received bonuses within the year of £19,688, £23,625 and £2,000 respectively. These were non-contractual and calculated at 15%, 25% and 2.5% of their basic annual salaries based on the successful acquisition of the allergy business and certain assets of Allergopharma Joachim Ganzer KG.

In the prior year Andrew Shepherd and Kieron Harbinson received bonuses 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 2011 £	Total 2010 £
Executive					
Andrew Shepherd	131,250	19,688	–	**150,938**	150,938
Kieron Harbinson	94,500	23,625	1,238	**119,363**	108,675
Geoff Gower	76,667	2,000	1,516	**80,183**	22,285
Non-executive					
David Evans	25,000	–	–	**25,000**	25,000
Michael Gurner	20,000	–	–	**20,000**	20,000

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

Directors' pension contributions

	2011 £	2010 £
Andrew Shepherd	**6,562**	6,562
Kieron Harbinson	**4,613**	4,500
Geoff Gower	**7,333**	1,783

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

	31 March 2011	31 March 2010
David Evans	**2,870,134**	110,000
Michael Gurner	**246,671**	121,671
Kieron Harbinson	**204,150**	58,317
Andrew Shepherd	**1,955,530**	1,319,830
Geoff Gower	**500,000**	–

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

Directors' share options

	At 1 April 2010	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2011	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 2011 was 14.5p. The highest and lowest share price during the year was 28.5p and 14.5p 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
1 July 2011

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 four Executive Directors, who are the Chief Executive, the Finance Director, the Sales and Marketing 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 twelve occasions. One of the meetings (on 20 December 2010) was a meeting of an Authorisation Committee where the Board had delegated responsibility to Andrew Shepherd and Kieron Harbinson to be able to approve all the final form documents in connection with the Admission, Placing and acquisition in December 2010. Of the eleven other meetings David Evans attended ten, with Michael Gurner, Andrew Shepherd, Kieron Harbinson and Geoff Gower attending all 11.

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

BGenuinetec KK
Epistem Holdings plc
Immunodiagnostic Systems Holdings plc
Momentum Biosciences Limited
Onyx Research Chemicals Limited
Scancell Holdings plc
EKF Diagnostics plc
Rosnes Limited
Sirigen Limited
Cytox Limited
Venn Life Sciences Limited
BBI Holdings Limited
Diagnostics Capital Limited
Lochglen Whisky Limited
St Andrews Golf Art Limited
Horizon Discovery 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 and once since the year end. 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, Chairman, 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 Diagnostics Limited, Omega Diagnostics Limited, Cambridge Nutritional Sciences Limited and Omega GmbH 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 10 to page 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 14 to 15. In addition, note 23 to the financial statements includes 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
1 July 2011

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 end. 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, financial performance of the Group and cash flows of the Group and Company for that period. In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group and Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; 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 and Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2011 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 and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 and express an opinion 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. In addition we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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 matter 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
1 July 2011

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2011

	Note	2011 £	2010 £
Continuing operations			
Revenue	7	**7,902,036**	6,198,742
Cost of sales		**(3,195,742)**	(2,582,522)
Gross profit		**4,706,294**	3,616,220
Administration costs		**(3,508,810)**	(2,508,608)
Selling and marketing costs		**(1,069,027)**	(800,632)
Other income – government grants and related assistance		**7,769**	500
Operating profit	7	**136,226**	307,480
Finance costs	5	**(33,052)**	(97,909)
Finance income – interest receivable	7	**1,950**	437
Profit before taxation		**105,124**	210,008
Tax charge	6	**(73,667)**	(22,909)
Profit for the year		**31,457**	187,099
Other comprehensive income			
Exchange differences on translation of foreign operations		**189,009**	–
Actuarial gain on defined benefit pensions		**41,984**	–
Other comprehensive income for the year		**230,993**	–
Total comprehensive income for the year		**262,450**	187,099
Earnings Per Share (EPS)			
Basic and Diluted EPS on profit for the year	22	**0.1p**	1.0p

Adjusted Profit before Taxation

for the year ended 31 March 2011

	2011 £	2010 £
Profit before taxation	**105,124**	210,008
IFRS-related discount charges (included within Finance costs)	**21,968**	94,958
Fair value adjustments to financial derivatives (included within Finance costs)	**(4,086)**	(2,580)
Amortisation of intangible assets (included within Administration costs)	**192,907**	108,750
Share-based payment charges (included within Administration costs)	**7,873**	178,375
Acquisition costs (included within Administration costs)	**412,045**	–
Adjusted profit before taxation	**735,831**	589,511
Earnings Per Share (EPS)		
Adjusted EPS on profit for the year	**1.7p**	3.1p

Adjusted profit before taxation is derived by taking statutory profit before taxation and adding back IFRS-related discount charges, amortisation of intangible assets, share-based payment charges, acquisition costs and fair value adjustments to financial derivatives. This is not a primary statement.

Consolidated Balance Sheet

as at 31 March 2011

	Note	2011 £	2010 £
ASSETS			
Non-current assets			
Intangibles	9	**9,605,259**	5,159,774
Property, plant and equipment	10	**1,954,485**	672,903
Deferred taxation	15	**84,913**	96,074
Retirement benefit surplus	19	**41,984**	–
Derivative financial instruments	23	**–**	196
		11,686,641	5,928,947
Current assets			
Inventories	11	**1,273,971**	814,344
Trade and other receivables	12	**2,369,701**	1,682,263
Income tax receivable		**16,683**	45,527
Cash and cash equivalents		**2,054,877**	678,800
		5,715,232	3,220,934
Total assets		**17,401,873**	9,149,881
EQUITY AND LIABILITIES			
Equity			
Issued capital		**12,977,107**	5,930,962
Retained earnings		**(10,751)**	(281,074)
Total equity		**12,966,356**	5,649,888
Liabilities			
Non-current liabilities			
Long-term borrowings	13	**1,275,832**	1,593,491
Other financial liabilities	20	**549,663**	–
Deferred taxation	15	**520,607**	583,249
Derivative financial instruments	23	**3,435**	7,717
Total non-current liabilities		**2,349,537**	2,184,457
Current liabilities			
Short-term borrowings	13	**332,499**	343,685
Trade and other payables	14	**1,615,705**	862,878
Income tax payable		**137,776**	108,973
Total current liabilities		**2,085,980**	1,315,536
Total liabilities		**4,435,517**	3,499,993
Total equity and liabilities		**17,401,873**	9,149,881

David Evans
Non-executive Chairman
1 July 2011

Kieron Harbinson
Finance Director
1 July 2011

Omega Diagnostics Group PLC
Registered number: 5017761

Consolidated Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £	Share premium £	Retained earnings £	Total £
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
Total comprehensive income	–	–	(459,449)	5,471,513
Share-based payments	–	–	178,375	178,375
Balance at 31 March 2010	1,562,246	4,368,716	(281,074)	5,649,888
Issue of share capital for cash consideration	2,583,334	5,166,668	–	7,750,002
Expenses in connection with share issue	–	(703,857)	–	(703,857)
Profit for the year ended 31 March 2011	–	–	31,457	31,457
Other comprehensive income – net exchange adjustments	–	–	189,009	189,009
Other comprehensive income – actuarial gain on defined benefit pensions	–	–	41,984	41,984
Total comprehensive income	–	–	(18,624)	12,958,483
Share-based payments	–	–	7,873	7,873
Balance at 31 March 2011	**4,145,580**	**8,831,527**	**(10,751)**	**12,966,356**

Consolidated Cash Flow Statement

for the year ended 31 March 2011

	Note	2011 £	2010 £
Cash flows generated from operations			
Profit for the year		**31,457**	187,099
Adjustments for:			
Taxation		**73,667**	22,909
Finance costs		**33,052**	97,909
Finance income		**(1,950)**	(437)
Operating profit before working capital movement		**136,226**	307,480
Increase in trade and other receivables		**(623,918)**	(360,405)
Decrease/(increase) in inventories		**95,707**	(48,964)
Increase/(decrease) in trade and other payables		**466,544**	(24,926)
(Gain)/loss on sale of property, plant and equipment		**(3,949)**	1,873
Depreciation	10	**144,294**	102,925
Amortisation of intangible assets	9	**192,907**	108,750
Share-based payments		**7,873**	178,375
Taxation paid		**(67,501)**	(52,825)
Net cash flow from operating activities		**348,183**	212,283
Investing activities			
Finance income		**1,950**	437
Purchase of property, plant and equipment	10	**(200,977)**	(90,485)
Purchase of intangible assets		**(563,653)**	–
Sale of property, plant and equipment		**5,499**	2,540
Outflow on acquisition of subsidiaries	8	**(4,916,049)**	(580,699)
Net cash used in investing activities		**(5,673,230)**	(668,207)
Financing activities			
Finance costs		**(26,446)**	(42,010)
Proceeds from issue of share capital		**7,750,002**	1,000,000
Expenses of share issue	16	**(703,857)**	(80,807)
Loan repayments		**(276,744)**	(273,283)
Finance lease repayments		**(62,795)**	(81,730)
Net cash from financing activities		**6,680,160**	522,170
Net increase in cash and cash equivalents		**1,355,113**	66,246
Effects of exchange rate movements		**20,964**	–
Cash and cash equivalents at beginning of year		**678,800**	612,554
Cash and cash equivalents at end of year		**2,054,877**	678,800

Company Balance Sheet
as at 31 March 2011

	Note	2011 £	2010 £
ASSETS			
Non-current assets			
Investments	21	**10,655,361**	8,113,040
Intangible assets	9	**984,663**	–
Derivative financial instruments	23	**–**	196
		11,640,024	8,113,236
Current assets			
Trade and other receivables	12	**4,949,986**	1,377,997
Income tax receivable		**12,627**	–
Cash and cash equivalents		**552,702**	12,214
		5,515,315	1,390,211
Total assets		**17,155,339**	9,503,447
EQUITY AND LIABILITIES			
Equity			
Issued capital		**13,966,782**	6,920,637
Retained earnings		**292,639**	253,745
Total equity		**14,259,421**	7,174,382
Liabilities			
Non-current liabilities			
Long-term borrowings	13	**1,262,470**	1,520,100
Other financial liabilities	20	**549,663**	–
Derivative financial instruments	23	**3,435**	7,717
Total non-current liabilities		**1,815,568**	1,527,817
Current liabilities			
Short-term borrowings	13	**272,470**	280,890
Trade and other payables	14	**690,012**	439,165
Income tax payable		**117,868**	81,193
Total current liabilities		**1,080,350**	801,248
Total liabilities		**2,895,918**	2,329,065
Total equity and liabilities		**17,155,339**	9,503,447

David Evans
Non-executive Chairman
1 July 2011

Kieron Harbinson
Finance Director
1 July 2011

Company Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £	Share premium £	Retained earnings £	Total £
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
Total comprehensive income	–	–	75,370	6,996,007
Share-based payments	–	–	178,375	178,375
Balance at 31 March 2010	1,934,528	4,986,109	253,745	7,174,382
Issue of share capital for cash consideration	2,583,334	5,166,668	–	7,750,002
Expenses in connection with share issue		(703,857)	–	(703,857)
Profit for the year ended 31 March 2011	–	–	31,021	31,021
Total comprehensive income	–	–	284,766	14,251,548
Share-based payments	–	–	7,873	7,873
Balance at 31 March 2011	**4,517,862**	**9,448,920**	**292,639**	**14,259,421**

Company Cash Flow Statement

for the year ended 31 March 2011

	2011 £	2010 £
Cash flows generated from operations		
(Loss)/profit for the year	**31,021**	212,537
Adjustments for:		
Taxation	**105,241**	95,918
Finance costs	**25,730**	84,426
Finance income	**(19,905)**	(132)
Operating profit before working capital movement	**142,087**	392,749
Increase in trade and other receivables	**(1,177,250)**	(591,726)
Increase/(decrease) in trade and other payables	**250,847**	(117,312)
Taxation paid	**(81,193)**	–
Share-based payments	**7,873**	178,375
Net cash flow from operating activities	**(857,636)**	(137,914)
Investing activities		
Finance income	**19,905**	132
Purchase of intangible assets	**(435,000)**	–
Outflow on acquisition of subsidiaries	**(4,937,058)**	(582,253)
Net cash used in investing activities	**(5,352,153)**	(582,121)
Financing activities		
Finance costs	**(19,124)**	(28,527)
Proceeds from issue of share capital	**7,750,002**	919,193
Expenses of share issue	**(703,857)**	–
Loan repayments	**(276,744)**	(273,283)
Net cash from financing activities	**6,750,277**	617,383
Net increase/(decrease) in cash and cash equivalents	**540,488**	(102,652)
Cash and cash equivalents at beginning of year	**12,214**	114,866
Cash and cash equivalents at end of year	**552,702**	12,214

Notes to the Financial Statements

for the year ended 31 March 2011

1 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2011 were authorised for issue by the Board of Directors on 1 July 2011, 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 ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements. These financial statements are presented in sterling and have been prepared in accordance with IFRS as adopted by the EU and applied in accordance with the provisions of the companies act 2006.

In relation to IFRS 8 – Operating Segments, the Group has identified the Executive Board as the Chief Operating Decision Maker with responsibility for decisions over the allocation of resources to operating segments and for the monitoring of their performance. During the year, the Group acquired the in-vitro diagnostics business of Allergopharma Joachim Ganzer KG, providing a presence in the allergy testing market. Accordingly, the Group has reorganised its internal reporting to provide information over the performance of the following three segments:

- Allergy and Autoimmune
- Food Intolerance
- Infectious Disease and Other

Comparatives have been adjusted to reflect the new reporting format.

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 intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

Intangible assets

Goodwill

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

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

Other intangible assets

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition at fair value at the acquisition date, the 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	–	5-20 years
Customer relationships	–	5-10 years
Supply agreements	–	5 years
Other intangibles	–	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.

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.

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:

Freehold properties	–	33 years, straight line with no residual value
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

Notes to the Financial Statements

(continued)

2 ACCOUNTING POLICIES (continued)

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.

Inventories

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured 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. Significant financial difficulty or significantly extended settlement periods are considered to be indicators of impairment. Normal average payment terms vary from payment in advance to 90 days. Balances are written off when the probability of recovery is assessed as remote.

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.

Financial instruments

Under IAS39, financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets are classified as either:

- financial assets at fair value through profit or loss
- loans and receivables

Financial assets at fair value through profit or loss

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 with positive fair values are recognised as assets 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.

Loans and receivables

Trade receivables that do not carry any interest and have fixed or determinable payment amounts that are not quoted in an active market are classified as loans and receivables. Loans and receivables with a maturity of less than 12 months are included in current assets and are measured at amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities are classified as either:

- financial liabilities at fair value through profit or loss
- other liabilities

Financial liabilities at fair value through profit or loss

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 with negative fair values are recognised as 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.

Other financial liabilities, whether used as part of the consideration for acquisitions which include deferred consideration or not, are designated by the Group as financial liabilities at fair value through profit and loss. They are measured 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 in the expectation of future cash flows or interest rates, the change is reflected through the income statement.

Other liabilities

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

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

A financial 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 assets and liabilities that are held for trading and other assets and liabilities designated as such on inception are included at fair value through profit and loss. 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.

Presentation currency

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.

Foreign currencies

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. The trading results of the overseas subsidiary are translated at the average exchange rate ruling during the year, with the exchange difference between the average rates and the rates ruling at the balance sheet date being taken to reserves. Any difference arising on the translation of the opening net investment, in the overseas subsidiary, and of applicable foreign currency loans, are dealt with as adjustments to reserves.

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.

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.

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.

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.

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.

2 ACCOUNTING POLICIES (continued)

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.

The Group also operates two defined benefit plans in Germany, which are closed to new members. Obligations under defined benefit plans are measured at discounted present values by actuaries, while plan assets are recorded at fair value. The operating and financing costs of pensions are charged to the income statement in the period in which they arise and are recognised separately. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of comprehensive income.

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.

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 is 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 2011 is £84,913 (2010: £96,074). Further details are contained in Note 15.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRS's)		Effective date*
IFRS 1	Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 disclosures	1 July 2010
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
2010 Annual improvements		Various dates
IAS 24	Related Party Disclosures (revised)	1 January 2011
IAS 27	(Revised) – Separate Financial Statements	1 January 2013
IAS 28	(Revised) – Investments in associates and Joint Ventures	1 January 2013
IAS 32	Amendment to IAS 32: Classification of Rights Issues	1 February 2010

International Financial Reporting Interpretations Committee (IFRIC)		Effective date*
IFRIC 14	Amendment: Prepayments of a Minimum Funding Requirement	1 January 2011
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 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.

3 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except for IFRS 3 (Revised) – Business Combinations.

The key features of IFRS 3 (Revised) are for acquisition-related costs to be expensed through the income statement and not to be included in the purchase price and contingent consideration, where applicable, 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).

4 SEGMENT INFORMATION

Following the completion of the acquisition of the In-Vitro diagnostics business of Allergopharma Joachim Ganzer KG and the incorporation of Omega GmbH the Group carried out a review of internal reporting and the information presented to the Board.

For management purposes the Group is now organised into three operating divisions: Allergy and Autoimmune, Food Intolerance and Infectious and Other. The Allergy and Autoimmune division specialises in the research, development, production and marketing of in-vitro Allergy and Autoimmune tests used by doctors to diagnose patients with allergies and autoimmune diseases.

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

The Infectious diseases division specialises in the research, development and production and marketing of kits to aid the diagnosis of Infectious Diseases.

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

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

Comparatives have been adjusted to reflect the new reporting format.

Notes to the Financial Statements

(continued)

4 SEGMENT INFORMATION (continued)

Business segment information

2011	Allergy and Autoimmune £	Food Intolerance £	Infectious/ Other £	Corporate £	Group £
Statutory presentation					
Revenue	1,539,206	3,997,989	2,862,036	–	8,399,231
Inter-segment revenue	–	(438,879)	(58,316)	–	(497,195)
Total revenue	1,539,206	3,559,110	2,803,720	–	7,902,036
Operating costs	(1,593,544)	(2,654,718)	(2,421,619)	(1,103,599)	(7,773,480)
Operating profit/(loss)	(54,338)	904,392	382,101	(1,103,599)	128,556
Other operating income	–	4,000	3,769	–	7,769
Net finance costs	–	(7,068)	–	(24,133)	(31,201)
Profit/(loss) before taxation	**(54,338)**	**901,324**	**385,870**	**(1,127,732)**	**105,124**
Adjusted profit before taxation					
Profit/(loss) before taxation	(54,338)	901,324	385,870	(1,127,732)	105,124
IFRS-related discount charges	–	–	–	21,968	21,968
Fair value adjustments to financial derivatives	–	–	–	(4,086)	(4,086)
Amortisation of intangible assets	90,942	81,961	20,004	–	192,907
Acquisition costs	–	–	–	412,045	412,045
Share-based payment charges	–	–	–	7,873	7,873
Adjusted profit/(loss) before taxation	**36,604**	**983,285**	**405,874**	**(689,932)**	**735,831**

2010	Allergy and Autoimmune £	Food Intolerance £	Infectious/ Other £	Corporate £	Group £
Statutory presentation					
Revenue	657,884	3,368,599	2,625,115	–	6,651,598
Inter-segment revenue	–	(415,559)	(37,297)	–	(452,856)
Total revenue	657,884	2,953,040	2,587,818	–	6,198,742
Operating costs	(521,563)	(2,469,454)	(2,212,218)	(688,526)	(5,891,761)
Operating profit/(loss)	136,321	483,586	375,600	(688,526)	306,981
Other operating income	–	–	500	–	500
Net finance costs	–	(11,544)	–	(85,929)	(97,473)
Profit/(loss) before taxation	136,321	472,042	376,100	(774,455)	210,008
Adjusted profit before taxation					
Profit/(loss) before taxation	136,321	472,042	376,100	(774,455)	210,008
IFRS-related discount charges	–	–	–	94,958	94,958
Fair value adjustments to financial derivatives	–	–	–	(2,580)	(2,580)
Amortisation of intangible assets	20,737	78,011	10,002	–	108,750
Share-based payment charges	–	–	–	178,375	178,375
Adjusted profit/(loss) before taxation	157,058	550,053	386,102	(503,702)	589,511

The segment assets and liabilities are as follows:

2011	Allergy and Autoimmune £	Food Intolerance £	Infectious/ Other £	Corporate £	Group £
Segment assets	7,995,211	5,641,980	1,572,562	35,647	15,245,400
Unallocated assets	–	–	–	–	2,156,473
Total assets	**7,995,211**	**5,641,980**	**1,572,562**	**35,647**	**17,401,873**
Segment liabilities	693,826	299,347	395,273	227,259	1,615,705
Unallocated liabilities	–	–	–	–	2,819,812
Total liabilities	**693,826**	**299,347**	**395,273**	**227,259**	**4,435,517**

2010	Allergy and Autoimmune £	Food Intolerance £	Infectious/ Other £	Corporate £	Group £
Segment assets	1,351,339	5,326,634	1,611,862	39,449	8,329,284
Unallocated assets	–	–	–	–	820,597
Total assets	1,351,339	5,326,634	1,611,862	39,449	9,149,881
Segment liabilities	75,885	316,453	368,462	102,079	862,879
Unallocated liabilities	–	–	–	–	2,637,114
Total liabilities	75,885	316,453	368,462	102,079	3,499,993

Unallocated assets comprise cash, income tax receivable, deferred taxation and derivative financial instruments. Unallocated liabilities comprise interest-bearing loans, borrowings, other financial liabilities, derivative financial instruments, deferred taxation and income tax payable.

Information about major customers

No single customer accounts for 10% or more of group revenues.

Geographical information

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

	2011 £	2010 £
Revenues		
UK	**957,788**	861,249
Germany	**1,092,943**	134,989
Rest of Europe	**2,399,994**	2,014,148
North America	**266,938**	307,007
South/Central America	**361,164**	327,577
Asia and Far East	**1,352,732**	1,365,977
Africa and Middle East	**1,470,477**	1,187,795
	7,902,036	6,198,742

Notes to the Financial Statements

(continued)

4 SEGMENT INFORMATION (continued)

2011	Intangibles £	Property, plant and equipment £	Retirement benefit surplus £	Inventories £	Trade and other receivables £	Total £
Assets						
UK	6,025,685	679,455	–	705,653	1,917,905	9,328,698
Germany	3,579,575	1,275,030	41,984	568,318	451,795	5,916,702
Unallocated assets	–	–	–	–	–	2,156,473
Total assets	9,605,260	1,954,485	41,984	1,273,971	2,369,700	17,401,873

2010	Intangibles £	Property, plant and equipment £	Retirement benefit surplus £	Inventories £	Trade and other receivables £	Total £
Assets						
UK	5,159,774	672,904	–	814,344	1,682,262	8,329,284
Germany	–	–	–	–	–	–
Unallocated assets	–	–	–	–	–	820,597
Total assets	5,159,774	672,904	–	814,344	1,682,262	9,149,881

	2011	2010
Liabilities		
UK	975,162	862,878
Germany	640,543	–
Unallocated liabilities	2,819,812	2,637,115
Total liabilities	4,435,517	3,499,993
Capital expenditure		
UK	120,281	90,485
Germany	80,696	–
Total capital expenditure	200,977	90,485

5 FINANCE COSTS

Consolidated	2011 £	2010 £
Interest payable on loans and bank overdrafts	24,624	35,396
Exchange difference on loans	(16,776)	(41,978)
Unwinding of discounts	21,968	31,131
Fair value adjustment to acquisition	–	63,826
Fair value adjustment to financial derivatives	(4,086)	(2,580)
Finance leases	7,322	12,114
	33,052	97,909

6 TAXATION

Consolidated	2011 £	2010 £
(a) Income tax expense		
Current tax – current year	125,148	81,193
Current tax – prior year adjustment	–	(48,016)
Deferred tax – current year	(51,121)	9,899
Deferred tax – prior year adjustment	(360)	(20,167)
Tax charge for the year	73,667	22,909

Consolidated	2011 £	2010 £
(b) Reconciliation of total tax charge		
Factors affecting the tax charge for the year:		
Profit before tax	**105,124**	210,008
Effective rate of taxation	**28%**	28%
Profit before tax multiplied by the effective rate of tax	**29,435**	58,802
Effects of:		
Expenses not deductible for tax purposes and permanent differences	**123,842**	50,570
Transfers from previously unrecognised deferred tax asset	**–**	25,767
Research and development tax credits	**(43,197)**	(44,047)
Tax over-provided in prior years	**(360)**	(68,183)
Adjustment due to different overseas tax rate	**(5,965)**	–
Impact of UK rate change on deferred tax	**(30,088)**	–
Tax charge for the year	**73,667**	22,909

In March 2011, the UK Government announced its intention to accelerate the planned phased decrease in the rate of corporation tax with a reduction to 26% on 1 April 2011 and further reducing by 1% per annum until it reaches 23% on 1 April 2014. At 31 March 2011 the change in corporation tax rate from the planned 27% to 26% on 1 April 2011 had been substantively enacted and therefore the deferred tax assets and liabilities included within these results have been calculated based on the reduced current UK corporation tax rate of 26%. The forecast effect of the proposed reductions in the corporation tax rate by 2014 would be to reduce the net deferred tax liability by £50,272.

7 REVENUE AND EXPENSES

Consolidated	2011 £	2010 £
Revenues		
Revenue – sales of goods	**7,902,036**	6,198,742
Finance income	**1,950**	437
Total revenue	**7,903,986**	6,199,179

Consolidated	2011 £	2010 £
Operating profit is stated after charging		
Material costs	**2,361,191**	2,031,279
Depreciation	**144,294**	102,925
Amortisation of intangibles	**192,907**	108,750
Net foreign exchange losses	**22,108**	28,146
Research and development costs	**250,055**	209,747
Impairment of trade receivables	**22,676**	525
Operating lease rentals	**131,109**	175,242
Share-based payments	**7,873**	178,375
Auditor's remuneration		
– Fees payable to the Company's auditors for the audit of the annual accounts	**26,000**	16,000
– Fees payable to the Company's auditors for other services		
– Taxation	**10,500**	17,050
– Local statutory audit of subsidiaries	**42,000**	20,000
– Local statutory audit of the parent Company	**5,000**	3,000
– All other services	**8,000**	11,500

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

Notes to the Financial Statements

(continued)

7 REVENUE AND EXPENSES (continued)

Staff costs

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

Consolidated	2011 number	2010 number
Operations	**65**	43
Management and administration	**28**	21
Employee numbers	**93**	64

Their aggregate remuneration comprised:

	2011 £	2010 £
Wages and salaries	**2,276,187**	1,751,650
Social security costs	**252,774**	168,722
Pension costs	**86,082**	40,962
Share-based payments	**7,873**	178,375
	2,622,916	2,139,709

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 20,000 options lapsed during the year and a further 40,000 were granted.

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

	2011 number	2011 WAEP	2010 number	2010 WAEP
Outstanding 1 April	1,903,289	19.00p	1,833,289	19.00p
Granted during the year under the EMI Option Scheme	40,000	16.75p	35,000	20.29p
Granted during the year under the SUOS	–	–	70,000	28.00p
Exercised during the year	–	–	–	–
Lapsed during the year under the EMI Option Scheme	(20,000)	–	(35,000)	19.00p
Outstanding at 31 March	1,923,289	–	1,903,289	–
Exercisable at 31 March	1,813,289	–	1,798,289	19.00p

The following table lists the inputs to the model used for the year ended 31 March 2011 and 31 March 2010:

	EMI Option Scheme and Unapproved Option Scheme		SUOS	
	2011	2010	2011	2010
Dividend yield	0%	0%	–	0%
Expected Volatility	107%	115%	–	115%
Risk-free interest rate	3.48%	2%	–	2%
Weighted average remaining contractual life	7.7	8.7	–	9.7
Weighted average share price	16.75p	20.29p	–	28p
Exercise price	16.75p	19p	–	28p
Model used	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	2011 £	2010 £
Fees	**45,000**	45,000
Emoluments	**350,484**	281,898
	395,484	326,898
Contributions to personal pension	**18,508**	12,845
	413,992	339,743
Members of a defined contribution pension scheme at the year end:	**3**	3

Company	2011 £	2010 £
Fees	**45,000**	45,000
Emoluments	**350,484**	281,898
	395,484	326,898

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 21 December 2010, the Group acquired the business and certain assets of the in-vitro allergy diagnostics business of Allergopharma Joachim Ganzer KG.

The Group incorporated a 100% owned subsidiary, Omega GmbH, which was used to purchase the business and assets. The business specialises in the research, development, production and marketing of in-vitro allergy tests used by doctors to diagnose patients with allergies.

Notes to the Financial Statements

(continued)

8 ACQUISITION OF SUBSIDIARIES (continued)

The consolidated financial statements include the results for the period from 21 December 2010 to 31 March 2011. The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Omega GmbH book value £	Fair value adjustments £	2011 Total £	2010 Total £
Intangible assets				
– supply arrangements	–	529,000	**529,000**	–
– technology assets	–	166,000	**166,000**	–
– customer relationships	–	1,135,000	**1,135,000**	100,000
Property, plant and equipment	1,332,491	(151,107)	**1,181,384**	50,310
Inventories	677,059	(121,725)	**555,334**	3,000
Trade and other receivables	63,520	–	**63,520**	66,895
Cash and cash equivalents	–	–	**–**	1,554
Trade and other payables	(182,156)	(104,130)	**(286,286)**	(16,079)
Income tax payable	–	–	**–**	(27,780)
Deferred tax liability	–	–	**–**	(29,908)
Net assets	1,890,914	1,453,038	**3,343,952**	147,992
Goodwill on acquisition			**1,572,097**	332,986
			4,916,049	480,978
Fair value of consideration			**4,916,049**	400,000
Acquisition costs			**1,115,902**	80,978
			6,031,951	480,978

Cost of the acquisition

The total acquisition cost of £4,916,049 was settled in one cash payment. Acquisition costs amounted to £1,115,902 (£412,045 is included within administration costs in the statement of comprehensive income).

Funding

To fund the cost of the acquisition, the Group raised £7,750,002 (before expenses of £703,857) via the placing of 64,583,350 new ordinary shares at a price of 12p per share.

From the date of incorporation, Omega GmbH has contributed revenue of £955,153 and a pre-tax loss of £210,718 to the Group result for the year. This is split between a loss of £90,420 in the period from 30 June 2010 (date of incorporation) to 21 December 2010 and a loss of £120,298 between 21 December 2010 (date of acquisition) and 31 March 2011, being the trading period post acquisition of the business and assets.

The result for the trading period post acquisition would have been an operating profit of approximately £100,000 however the actual result was impacted by one off agency costs, one off IT training costs as well as intangible asset amortisation and inter-group interest charged based on funding levels provided.

The combined revenue and profit before tax for the Group, assuming the business and assets had been acquired at the start of the period would have been £10,767,495 and £405,124 respectively.

Goodwill

The acquisition of the business and certain assets of the in-vitro allergy business has resulted in goodwill of £1,572,097. This amount of goodwill is the total amount deductible for tax purposes in line with current German tax law.

This goodwill represents the advantages, synergies and strategic value to be derived from adding the business to the Group as follows:

- driving export sales of current IVD business allergy products through the existing Omega international distribution network
- apply existing Genarrayt® microarray test platform to IgE allergy screening. Automation of the test procedure will allow more rapid processing of higher test volumes
- developing an instrumentation strategy for performing allergy diagnostics through an automated 'closed system' instrument through an agreement with Immunodiagnostic Systems Holdings Plc.

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

To fund the cost of the Co-Tek 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.

9 INTANGIBLES

	Goodwill £	Licences/ Software £	Supply arrangements £	Technology assets £	Customer relationships £	Total £
Cost						
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
On acquisition	1,572,097	–	529,000	166,000	1,135,000	3,402,097
Additions	–	1,113,316	–	–	–	1,113,316
Currency translation	52,015	176	20,248	6,521	45,349	124,309
At 31 March 2011	**4,973,990**	**1,113,492**	**549,248**	**2,147,521**	**1,280,349**	**10,064,600**
Accumulated amortisation and impairment						
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
Amortisation charge in the year	–	9,813	26,955	107,217	48,922	192,907
Currency translation	–	176	483	152	519	1,330
At 31 March 2011	**–**	**9,989**	**27,438**	**362,473**	**59,441**	**459,341**
Net book value						
31 March 2011	**4,973,990**	**1,103,503**	**521,810**	**1,785,048**	**1,220,908**	**9,605,259**
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

Of the licences/software balance above, £984,663 is held on the balance sheet of the Company and relates to the IDS licences.

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 (2010: £3,016,892), Co-Tek £332,986 (2010: £332,986) and Omega GmbH £1,624,112 (2010: £Nil).

The recoverable amount of Genesis-CNS, Co-Tek and Omega GmbH 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 2012, with projected cash flows thereafter through to March 2016 based on a growth rate of 4.8% per annum. 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 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. The budget for Omega GmbH assumes continued organic growth in sales in the German market as well as achieving an increase in export sales through the existing Omega international distribution network. The Omega GmbH forecast also includes revenues in years two to five from the microarray and IDS-iSYS platforms which will allow more rapid processing of higher volume tests.

In all three 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 12.5% for the group which takes account of other risks specific to each segment such as currency risk, geography and price risk. The discount rate 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, Co-Tek and Omega GmbH over the next four years using a growth rate of 4.8% 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 £3m above carrying value for Genesis-CNS, headroom of £266k above carrying value for Co-Tek and headroom of £5.4m for Omega GmbH. 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 4.8% to 3.8% this would have the effect of reducing the headroom in Genesis-CNS by £134k over five years, in Co-Tek by £12k over five years and in Omega GmbH by £135k over five years.

For Genesis-CNS, the discount rate would have to increase to 35.5% or the growth rate would have to be a decline of 24% for the headroom to reduce to Nil.

For Co-Tek, the discount rate would have to increase to 40.4% or the growth rate would have to be a decline of 22.5% for the headroom to reduce to Nil.

For Omega GmbH, the discount rate would have to increase to 53.5% or the growth rate would have to be a decline of 60% for the headroom to reduce to Nil.

Notes to the Financial Statements
(continued)

9 INTANGIBLES (continued)

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	Land and Property £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost					
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
Additions	24,758	31,179	145,040	–	200,977
Acquisitions	662,937	–	445,893	72,554	1,181,384
Disposals	–	–	(7,489)	–	(7,489)
Currency translation	25,637	2	17,265	2,869	45,773
At 31 March 2011	**713,332**	**181,625**	**2,168,322**	**75,423**	**3,138,702**
Accumulated amortisation and impairment					
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
Charge in the year	4,772	15,856	117,500	6,166	144,294
Disposals	–	–	(5,938)	–	(5,938)
Currency translation	105	2	465	135	707
At 31 March 2011	**4,877**	**95,783**	**1,077,256**	**6,301**	**1,184,217**
Net book value					
31 March 2011	**708,455**	**85,842**	**1,091,066**	**69,122**	**1,954,485**
31 March 2010	–	70,519	602,384	–	672,903
31 March 2009	–	64,570	569,533	5,343	639,446

The net book value of plant and machinery held under finance leases at 31 March 2011 is £64,513 (2010: £225,565).

11 INVENTORIES

	2011 £	2010 £
Raw materials	**518,026**	539,685
Work in progress	**138,105**	151,810
Finished goods and goods for resale	**617,840**	122,849
	1,273,971	814,344

12 TRADE AND OTHER RECEIVABLES

Consolidated	2011 £	2010 £
Trade receivables	**2,008,644**	1,527,928
Prepayments and other receivables	**361,057**	154,335
	2,369,701	1,682,263

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

Company	2011 £	2010 £
Prepayments and other receivables	**35,633**	39,449
Due from subsidiary companies	**4,914,353**	1,338,548
	4,949,986	1,377,997

Analysis of trade receivables

Consolidated	2011 £	2010 £
Neither impaired nor past due	**1,344,201**	1,076,588
Past due but not impaired	**687,119**	451,340
Impaired	**(22,676)**	–

Company	2011 £	2010 £
Neither impaired nor past due	**4,914,353**	1,338,548

Ageing of past due but not impaired trade receivables

Consolidated	2011 £	2010 £
Up to three months	**511,680**	377,461
Between three and six months	**145,240**	51,808
More than six months	**30,199**	22,071

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

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

13 INTEREST-BEARING LOANS AND BORROWINGS AND FINANCIAL INSTRUMENTS

Consolidated	2011 £	2010 £
Current		
Bank loans	**272,470**	280,890
Obligations under finance leases	**60,029**	62,795
	332,499	343,685
Non-current		
Bank loans	**136,235**	421,335
Obligations under finance leases	**13,362**	73,391
Other loans	**1,126,235**	1,098,765
	1,275,832	**1,593,491**
Bank loans comprise the following:		
£408,705 variable rate loans 2012 (base rate + 2.0%: 2010 base rate +2.0%)	**408,705**	702,225
	408,705	702,225
Less current instalments	**(272,470)**	(280,890)
	136,235	421,335

Notes to the Financial Statements

(continued)

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

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:

	2011 £	2010 £
Future minimum payments due:		
Not later than one year	**63,233**	70,113
After one year but not more than five years	**13,676**	76,909
	76,909	147,022
Less finance charges allocated to future periods	**3,518**	10,836
Present value of minimum lease payments	**73,391**	136,186
The present value of minimum lease payments is analysed as follows:		
Not later than one year	**60,029**	62,795
After one year but not more than five years	**13,362**	73,391
	73,391	136,186

Consolidated	2011 £	2010 £
Other loans comprise the following:		
Vendor loan – 2014 (base rate)	**1,126,235**	1,098,765
	1,126,235	1,098,765

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

There are two Bank of Scotland term loans of £180,000 (2010: £300,000) and US$366,660 (2010: US$611,100) repayable in equal monthly instalments of £10,000 and US$20,370, both with a maturity date of 4 September 2012.

Company	2011 £	2010 £
Current		
Bank loans	**272,470**	280,890
	272,470	280,890
Non-current		
Bank loans	**136,235**	421,335
Other loans	**1,126,235**	1,098,765
	1,262,470	1,520,100
Bank loans comprise the following:		
£408,705 variable rate loan 2012 (base rate + 2.0%: 2010 base rate +2.0%)	**408,705**	702,225
	408,705	702,225
Less current instalments	**(272,470)**	(280,890)
	136,235	421,335

Company	2011 £	2010 £
Other loans comprise the following:		
Vendor loan – 2014 (base rate)	**1,126,235**	1,098,765
	1,126,235	1,098,765

14 TRADE AND OTHER PAYABLES

Consolidated	2011 £	2010 £
Trade payables	**916,401**	608,136
Social security costs	**85,136**	52,737
Accruals and other payables	**614,168**	202,005
	1,615,705	862,878

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	2011 £	2010 £
Trade payables	**34,297**	38,748
Accruals and other payables	**192,962**	63,331
Due to subsidiary companies	**462,753**	337,086
	690,012	439,165

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	2011 £	2010 £
Decelerated capital allowances	**6,765**	14,009
Temporary differences	**8,192**	7,483
Tax losses carried forward	**69,956**	74,582
	84,913	96,074

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	2011 £	2010 £
Fair value adjustments on acquisition	**514,109**	571,332
Accelerated capital allowances	**6,498**	11,917
	520,607	583,249

Notes to the Financial Statements

(continued)

16 SHARE CAPITAL

Company	2011 number	2010 number
Authorised share capital		
Ordinary shares of 4 pence each	**184,769,736**	184,769,736
Deferred shares of 0.9 pence each	**123,245,615**	123,245,615
Issued and fully paid share capital		
At the beginning of the year	**20,632,907**	15,632,907
Issued during the year	**64,583,350**	5,000,000
At the end of the year	**85,216,257**	20,632,907

	2011 £	2010 £
Shares allotted for cash		
Aggregate nominal value	**2,583,334**	200,000
Share premium	**5,166,668**	800,000
Expense of issue	**(703,857)**	(80,807)
Consideration received	**7,046,145**	919,193

On 21 December 2010, the Company issued 64,583,350 ordinary shares of 4p each at a price of 12p per share. The costs involved in the share issue were £703,857.

During the year to 31 March 2011, the Company granted options over 40,000 ordinary shares at an exercise price of 16.75p per share. The options will expire if not exercised within ten years of the date of grant.

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.

17 COMMITMENTS AND CONTINGENCIES

Operating lease commitments

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

Consolidated	2011 £	2010 £
Land and buildings:		
Within one year	**110,846**	163,374
Within two to five years	**100,340**	211,186
Other:		
Within one year	**20,264**	11,869
Within two to five years	**40,187**	26,265

Land and buildings leases in force for Omega Diagnostics Ltd premises extend to June 2011, and have been recently re-negotiated and now extend to 30 June 2021. 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 2011 (2010: £30,000).

18 RELATED PARTY TRANSACTIONS

Remuneration of key personnel

The remuneration of 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:

	2011 £	2010 £
Short-term employee benefits	**395,484**	326,898
Share-based payments	**–**	153,002
Post-employment benefits	**18,508**	12,845
	413,992	492,745

Included within short-term employee benefits are amounts paid to MBA Consultancy of £25,000 (2010: £25,000), a Company controlled by David Evans and £Nil (2010: £15,000) to Alberdale Catalyst Ltd and £20,000 (2010: £5,000) 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, Co-Tek (South West) Limited and Omega GmbH, largely relating to payment of fees. The amounts outstanding at the year end are as follows:

At 31 March 2011	ODG £	ODL £	Genesis £	CNS £	Co-Tek £	GmbH £
Omega Diagnostics Group PLC	–	(1,404,637)	(633,167)	462,753	(12,219)	(2,864,330)
Omega Diagnostics Ltd	1,404,637	–	(209,081)	(156,812)	5,138	(130,508)
Genesis Diagnostics Ltd	633,167	209,081	–	(559,409)	–	–
Cambridge Nutritional Sc. Ltd	(462,753)	156,812	559,409	–	–	–
Co-Tek (South West) Ltd	12,219	(5,138)	–	–	–	–
Omega GmbH	2,864,330	130,508	–	–	–	–

At 31 March 2010	ODG £	ODL £	Genesis £	CNS £	Co-Tek £
Omega Diagnostics Group PLC	–	(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)	–	–	–

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

	2011 £	2010 £
Balance at 1 April	**1,001,461**	346,544
Charges to subsidiary companies	**1,106,669**	1,190,833
Charges from subsidiary companies	**–**	(511,886)
Transfers of cash to subsidiary companies	**3,086,328**	821,000
Transfers of cash from subsidiary companies	**(742,858)**	(845,030)
Balance at 31 March 2011	**4,451,600**	1,001,461

Note 13 discloses personal guarantees made by two of the Directors in support of the bank term loan.

Notes to the Financial Statements

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19 RETIREMENT BENEFIT OBLIGATIONS

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

Details of the Defined Contributions Scheme for the Group's UK employees are given below in note (a). Details of the Defined Benefits Schemes for the Group's German employees and details relating to these schemes are given below in note (b). During the year Group accounted for these pension schemes under IAS19 "Employee Benefits".

a) Defined Contribution Schemes

The Group makes contributions to personal plans of employees on a defined contribution basis. The Group does not have ownership of the schemes, with individual plans being arrangements between the employee and pension provider. The contributions for the year amounted to £46,518 (2010: £40,962).

b) Defined Benefit Schemes

The Deutscher Pensionsfonds AG and the LV 1871 Unterstutzungskasse e.V schemes give the rights to defined future benefits. These are mainly dependent on the number of earning years and salary level at pension age. The commitments are covered through an insurance company and are compliant with the requirements of German insurance laws. Pension costs relating to each scheme operating in Germany are charged in accordance with IAS19 "Employee Benefits". Formal valuations of each scheme have been carried out by Towers Watson Pension Service GmbH, who are independent, professionally qualified actuaries, on 24 June 2011 using the following assumptions.

	2011	2010
Discount rate at 31 March	5.50%	–
Expected return on plan assets at 31 March	–	–
Future salary increases	2.50%	–
Future pension increases	1.00%	–
Turnover rate	2.60%	–

(i) The amounts recognised in the balance sheet are as follows:

	2011 £	2010 £
Present value of funded obligations	1,174,883	–
Fair value of plan assets	1,216,867	–
	41,984	–
Present value of unfunded obligations	–	–
Net asset	41,984	–
Net assets in the balance sheet:		
Liabilities	1,174,883	–
Assets	1,216,867	–
Net asset	41,984	–

(ii) The amounts recognised in the income statement are as follows:

	2011 £	2010 £
Current service costs	39,564	–
Interest on obligation	–	–
Expected return on plan assets	–	–
Total included in employee benefits expense	39,564	–

The current service costs for the year, £39,564 (2010: £nil) have been included in administration costs.

(iii) The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2011 £	2010 £
Actuarial gains on defined benefit obligation	1,216,867	–
Actuarial losses on plan assets	1,174,883	–
Total	41,984	–

(iv) Changes in the present value of the defined benefit obligation are as follows:

	2011 £	2010 £
Opening defined benefit obligation	–	–
Service cost	39,564	–
Interest cost	–	–
Acquisition/Business combination	1,133,517	–
Experience adjustments on plan liabilities	1,802	–
Benefits paid	–	–
Closing defined benefit obligation	1,174,883	–

Acquisition/Business combination liability above includes an unrecognised gain of £54,833.

(v) Changes in the fair value of plan assets are as follows:

	2011 £	2010 £
Opening fair value of plan assets	–	–
Expected return	–	–
Actuarial losses	(11,047)	–
Contributions by employer	39,564	–
Exchange differences on foreign plans	–	–
Benefits paid	–	–
Acquisition/Business combination	1,188,350	–
Closing fair value of plan assets	1,216,867	–

(vi) The major categories of plan assets as a percentage of total plan assets are as follow:

	2011	2010
Equities	10%	–
Bonds/Debt instruments	40%	–
Property	–	–
Cash/other	50%	–

The Group expects to contribute £158,297 to its defined benefit pension plans in the year to 31 March 2012.

(vii) Mortality assumptions
Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in Germany. In the calculations, the mortality rate used, is in accordance with Heubeck Richttafeln's basis of calculation for group pension insurance, 2005G. Other assumptions have been set in accordance with Heubeck Richttafeln's basis of calculation for group pension insurance, as set out in schedule 2005G.

Notes to the Financial Statements
(continued)

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(viii) History of experience adjustments

	2011 £	2010 £
Defined benefit obligation	**1,174,883**	–
Plan assets	**1,216,867**	–
Surplus	**41,984**	–
Experience adjustments on plan liabilities	**1,802**	–
Experience adjustments on plan assets	**11,047**	–

20 OTHER FINANCIAL LIABILITIES

Consolidated and Company	£
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	–
IDS licence agreement	549,663
As at 31 March 2011	**549,663**

The earn-out relating to Genesis/CNS amounting to £131,580 was fully extinguished by 31 March 2010. At 31 March 2011 other financial liabilities comprise unconditional future commitments under the licence agreement with IDS.

21 INVESTMENTS

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

	Country of incorporation	2011 £	2010 £
Investment in Omega Diagnostics Limited	UK	**1,752,884**	1,752,884
Investment in Genesis Diagnostics Limited	UK	**1,815,623**	1,815,623
Investment in Cambridge Nutritional Sciences Limited	UK	**4,063,553**	4,063,553
Investment in Co-Tek (South West) Limited	UK	**480,978**	480,978
Investment in Bealaw (692) Limited	UK	**1**	1
Investment in Bealaw (693) Limited	UK	**1**	1
Investment in Omega GmbH	Germany	**2,542,321**	–
		10,655,361	8,113,040

The new investment in the year relates to the 100% owned subsidiary, Omega GmbH, which was used to purchase the business and certain assets of the in-vitro allergy diagnostics business of Allergopharma Joachim Ganzer KG.

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

22 EARNINGS PER SHARE

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

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

	2011 £	2010 £
Profit attributable to equity holders of the Group	**31,457**	187,099

	2011 Number	2010 Number
Basic average number of shares	**38,278,631**	18,153,455
Share options	**–**	471,581
Diluted weighted average number of shares	**38,278,631**	18,625,036

Adjusted Earnings per share on profit for the year

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

	2011 £	2010 £
Adjusted profit attributable to equity holders of the Group	**662,164**	566,602

23 FINANCIAL INSTRUMENTS

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

Assets as per the consolidated balance sheet	Assets at fair value through profit and loss £	Loans and receivables £	Total £
2011			
Trade receivables	–	2,008,644	2,008,644
Cash and cash equivalents	–	2,054,877	2,054,877
	–	**4,063,521**	**4,063,521**

Assets as per the consolidated balance sheet	Assets at fair value through profit and loss £	Loans and receivables £	Total £
2010			
Derivative financial instruments (held for trading)	196	–	196
Trade receivables	–	1,527,928	1,527,928
Cash and cash equivalents	–	678,800	678,800
	196	2,206,728	2,206,924

Notes to the Financial Statements

(continued)

23 FINANCIAL INSTRUMENTS (continued)

Assets as per the Company balance sheet	Assets at fair value through profit and loss £	Loans and receivables £	Total £
2011			
Due from subsidiary companies	–	4,914,352	4,914,352
Cash and cash equivalents	–	552,702	552,702
	–	**5,467,054**	**5,467,054**

Assets as per the Company balance sheet	Assets at fair value through profit and loss £	Loans and receivables £	Total £
2010			
Derivative financial instruments (held for trading)	196	–	196
Due from subsidiary companies	–	1,338,548	1,338,548
Cash and cash equivalents	–	12,214	12,214
	196	1,350,762	1,350,958

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2011			
Derivative financial instruments (held for trading)	3,435	–	3,435
Trade payables	–	916,401	916,401
Obligations under finance leases	–	73,391	73,391
Bank loans	–	408,705	408,705
Other loans (designated on initial recognition)	1,126,235	–	1,126,235
Other financial liabilities	–	549,663	549,663
	1,129,670	**1,948,160**	**3,077,830**

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2010			
Derivative financial instruments (held for trading)	7,717	–	7,717
Trade payables	–	608,136	608,136
Obligations under finance leases	–	136,186	136,186
Bank loans	–	702,225	702,225
Other loans (designated on initial recognition)	1,098,765	–	1,098,765
	1,106,482	1,446,547	2,553,029

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2011			
Derivative financial instruments (held for trading)	3,435	–	3,435
Trade payables and amounts due to subsidiary companies	–	497,050	497,050
Bank loans	–	408,705	408,705
Other loans (designated upon initial recognition)	1,126,235	–	1,126,235
Other financial liabilities	–	549,663	549,663
	1,129,670	**1,455,418**	**2,585,088**

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2010			
Derivative financial instruments (held for trading)	7,717	–	7,717
Trade payables and amounts due to subsidiary companies	–	375,834	375,834
Bank loans	–	702,225	702,225
Other loans (designated upon initial recognition)	1,098,765	–	1,098,765
	1,106,482	1,078,059	2,184,541

Within other loans designated at fair value through profit and loss is the vendor loan note of £1.1 million which was issued in September 2007. It carries a coupon of base rate only and is repayable in three equal instalments in September 2012, 2013 and 2014. The interest is rolled up and repayable with the final capital payment. The fair value is calculated as the future cash flows expected to result based on current estimates of interest rates. There has been no change in the year to the fair value of the loan due to changes in credit risk. The movement in the year of £27,468 (2010: £86,600) is due to the effect of unwinding discount factors and is included within finance charges in the income statement.

Financial risk management

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

Foreign currency risk

The Group operates in more than one currency jurisdiction and is therefore exposed to currency risk on the retranslation of the income statement and the balance sheet of its overseas subsidiary from euros into its functional currency of pounds sterling. The Company funds its subsidiary by a mixture of equity and intercompany loan financing in euros and these balances are subject to exchange rate movements that can give rise to movements in equity. The Group also buys and sells goods and services in currencies other than the functional currency, principally in Euros and US dollars. The Group has US dollar and euro denominated bank accounts and where possible, the Group will offset currency exposure where purchases and sales of goods and services can be made in these currencies. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is currently Group policy not to engage in any speculative transaction of any kind but this will be monitored by the Board to determine whether it is appropriate to use additional currency management procedures to manage risk. At 31 March 2011 (and 31 March 2010) the Group has not entered into any hedge transactions.

Notes to the Financial Statements

(continued)

23 FINANCIAL INSTRUMENTS (continued)

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

	Decrease in currency rate	Effect on profit before tax £	Effect on equity £
2011			
Trade and other receivables	5%	51,965	–
Trade and other payables	5%	(43,720)	–
Cash and cash equivalents	5%	47,301	–
Bank loans	5%	(12,037)	–
Net investment in overseas subsidiary	5%	–	234,827
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)	–
Net investment in overseas subsidiary	5%	–	–

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 Group conducts most of its operations through distributors and is therefore able to maintain a fairly close relationship with its immediate customers. As such, the Group monitors payment profiles of customers on a regular basis and is able to spot deteriorations in payment times. An allowance for impairment is made that represents the potential loss in respect of individual receivables where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An analysis of trade receivables from various regions is analysed in the following table:

	2011 Trade receivables £	2010 Trade receivables £
UK/Europe	**1,166,709**	657,868
North America	**88,768**	75,598
South/Central America	**95,336**	109,753
Asia and Far East	**346,106**	422,941
Africa and Middle East	**311,725**	261,768
	2,008,644	1,527,928

Capital management

An explanation of the Group's capital management process and objectives is set out in the Capital management section on page 15 of the Financial Review.

Liquidity risk

The Group's objective is to maintain sufficient headroom to meet its foreseeable financing and working capital requirements. The Group has in place drawn loan facilities and in the case of bank loans, regularly monitors performance to ensure compliance with all covenants. The Group also maintains a surplus balance of cash and cash equivalents to ensure flexible liquidity to meet financial liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2011 based on the undiscounted cash flows of liabilities which include both future interest and principal amounts outstanding based on the earliest date on which the group can be required to pay. The amounts of future interest are not included in the carrying value of financial liabilities on the balance sheet.

Consolidated	Less than 3 months £	3 to 12 months £	1 to 5 years £	Total £
2011				
Trade and other payables	916,401	–	–	916,401
Obligations under finance leases	16,624	46,609	13,677	76,910
Bank loans	70,278	208,458	136,942	415,678
Vendor loan	–	–	1,205,658	1,205,658
	1,003,303	**255,067**	**1,356,277**	**2,614,647**
2010				
Trade and other payables	608,136	–	–	608,136
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
	702,479	269,735	1,705,591	2,677,805

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 £	Total £
2011				
Trade payables and amounts due to subsidiary companies	497,050	–	–	497,050
Bank loans	70,278	208,458	136,942	415,678
Vendor loan	–	–	1,205,658	1,205,658
	567,328	**208,458**	**1,342,600**	**2,118,386**
2010				
Trade payables and amounts due to subsidiary companies	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

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.

Notes to the Financial Statements

(continued)

23 FINANCIAL INSTRUMENTS (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 £
2011			
Cash and cash equivalents		25	2,557
Bank loans	– GBP	25	(612)
	– USD	25	(777)
Vendor loan		25	(2,750)
2010			
Cash and cash equivalents		25	1,614
Bank loans	– GBP	25	(918)
	– USD	25	(1,231)
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 £
2011			
Cash and cash equivalents		25	721
Bank loans	– GBP	25	(612)
	– USD	25	(777)
Vendor loan		25	(2,750)
2010			
Cash and cash equivalents		25	159
Bank loans	– GBP	25	(918)
	– USD	25	(1,231)
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 2011 and 31 March 2010. 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 2 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 2011 and 31 March 2010, including derivative financial instruments, represent the Group's maximum exposure to credit risk.

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	2011 £	2010 £
Included in non-current assets		
Interest rate instruments	–	196
Included in non-current liabilities		
Interest rate instruments	**3,435**	7,717

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 British In Vitro Diagnostics Association, 1 Queen Anne's Gate, London, SW1H 9BT on 23 August 2011 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 2011.

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 David Evans as a Director of the Company.

4. To elect Mr Jagdeep Grewal 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 £1,136,103.12 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

Resolution 6 is proposed as a special resolution.

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 £170,432.48;

   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.

By order of the Board

Kieron Harbinson
Company Secretary
1 July 2011

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 21 August 2011 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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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

GmbH
Formed in 2010, Omega GmbH acquired the IVD allergy business of Allergopharma and is located in Reinbek, Germany.

www.omegadiagnostics.de