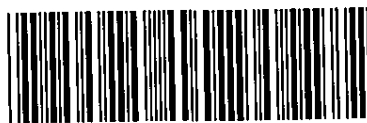


Global **challenges** Global **solutions**

Omega Diagnostics Group PLC
Annual Report and
Group Financial Statements 2013

Registered number 5017781

WEDNESDAY



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14/08/2013

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COMPANIES HOUSE

Our mission is to improve human health and well-being through innovative diagnostic products and global partnerships

Omega is focused on selling a wide range of specialist products, primarily in the immunoassay, in vitro diagnostics (IVD) market.

- Read more about our business on page 2

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- Our business is split into three segments
Read about each in the Business Review from page 4 onwards

Highlights

Operational highlights

- CD4 technical transfer from the Burnet Institute nearing completion, and grant of US patent
- iSYS allergy program on track, with assay protocol finalised, to launch 40 allergen test menu by Q4 in FY14
- Strong performance from direct selling operations in India and exclusive distribution agreement for Food Detective® signed with Super Religare Laboratories
- Strong performance from Food Intolerance segment with Food Detective® sales exceeding £1 million for the first time and registration of Food Detective® in China
- Appointment of Bill Rhodes as Non-executive Director
- Successful equity placing to raise £4 million completed and oversubscribed

Financial highlights

Sales (£m)

£11.3m

1%

111 113

79

2011 2012 2013

Gross profit (£m)

£7.1m

1%

70 71

47

2011 2012 2013

Adjusted PBT (£m)

£0.8m

22.5%

10

08

07

2011 2012 2013

Gross profit (%)

63%

no change

60

63

63

2011 2012 2013

Visitect® CD4 at actual size
The test enables CD4+ T-cell levels to be determined quickly and conveniently using a finger-prick blood sample enabling patients to receive life-saving antiretroviral treatment

- Read the full product focus on page 15

Find out more

Find up-to-date information at omegadiagnostics.com

What We Do

We're committed to addressing global health challenges

Founded in 1987 by the current CEO Andrew Shepherd, the Omega business is focused on selling a wide range of specialist products, primarily in the immunoassay, in vitro diagnostics (IVD) market within three segments: Allergy and Autoimmune, Food Intolerance and Infectious Disease.

How we work

1 We identify major health challenges...

The Company's global reputation stems from its beginnings as a manufacturer of tests for a range of infectious diseases such as syphilis, tuberculosis, dengue fever, chagas disease and malaria. This reputation led to the opportunity to commercialise a ground-breaking CD4 technology

2 ...we form partnerships to help find solutions...

Partnership with Burnet Institute in Australia resulted in Omega securing an exclusive global licence to a unique, simple, lateral flow point-of-care device confirming patient CD4 count is above or below 350 cells μ l. This has the opportunity to greatly reduce the number of patients lost to care as a result of the length of time between testing and treatment

• Full review on page 8

Our global presence

- Where our products are distributed
- Where we have a direct presence

- See our global market focus on page 6

3 ...we attain global reach by developing, distributing and selling products across three main areas:

Allergy and Autoimmune

Main products

- Allergozyme
- Allergodip
- Genesis Elisa

Revenue share

37%

- Full review on page 16

Food Intolerance

Main products

- Genarrayt® Microarray
- Food Detective
- Foodprint service

Revenue share

39%

- Full review on page 16

Infectious Diseases

Main products

- Immutrep Syphilis
- Micropath Bacterial tests
- Dengue Elisa

Revenue share

24%

- Full review on page 14

Chairman's Statement

Visitect® CD4 remains a significant near-term opportunity for the Group and continues to attract substantial interest from the wider HIV/AIDS healthcare community.

David Evans Non-executive Chairman

In summary

- Pre-launch of Visitect® CD4 in Washington, US and Cape Town, South Africa
- Commencement of direct selling operations in India and exclusive distribution agreement for Food Detective® signed with Super Religare Laboratories
- Registration of Food Detective® in China
- Increase in average revenue per Genarrayt® system (excluding Spain) by 19% to £12,885
- Food Detective® sales exceed £1m for the first time

The Group has taken a number of positive steps both during the financial year and since the year-end

Achievements during the financial year

- Pre-launch of Visitect® CD4 in Washington, US and Cape Town, South Africa
- Commencement of direct selling operations in India and exclusive distribution agreement for Food Detective® signed with Super Religare Laboratories
- Award of grant funding of up to £0.15m from Scottish Enterprise
- Registration of Food Detective® in China
- Increase in average revenue per Genarrayt® system (excluding Spain) by 19% to £12,885
- Food Detective® sales exceed £1m for the first time

Achievements since the year-end

- Agreement intending to appoint Immunodiagnostic Systems Holdings plc ("IDS") as exclusive allergy distributor in IDS' core markets
- Appointment of Bill Rhodes as a non-executive director
- Grant of US patent for CD4
- Successful institutional placing raising £4m before expenses

Financial performance

Turnover

Turnover for the Group showed a slight increase on the prior year at £11.26 million (2012: £11.12 million). Our Food Intolerance division grew turnover by 13% with continued growth in Genarrayt® revenue, with France becoming the largest market by sales. Food Detective® also performed well, exceeding the £1m sales barrier for the first time. As reported at the half-year stage, the Allergy and Autoimmune division, particularly in Germany, was affected by the weaker pollen season and Euro exchange rate. A partial recovery in the second half meant that turnover reduced by 7% for the year. Infectious Disease turnover was broadly unchanged, showing a slight decline of 1% due mainly to a loss of revenue (approximately £0.2 million) following a ban of blood based TB tests by the Indian government.

Gross profit

Gross profit amounted to £7.05 million (2012: £7.00 million) and the gross margin was practically unchanged at 62.6% compared to 63.0% in the previous year. This level of gross profit was in line with expectation as the Food Intolerance and Allergy/Autoimmune divisions generate similar levels of gross profit.

Adjusted Profit before Taxation

The Group generated an adjusted profit before tax ("adjusted PBT") of £0.78 million compared to £1.00 million in the previous year. The reduction was mainly due to two reasons: firstly, the effect of increased costs associated with the direct subsidiary operation in India occurring at the same time as the loss of revenue from TB tests referred to above, and secondly, due to a reduced contribution from the Omega GmbH allergy business in Germany, for the reasons referred to above. There is a reconciliation between adjusted PBT and statutory PBT below the income statement on page 31.

Taxation

The Group continues to benefit from an enhanced level of R&D tax allowances. Due to the increase in capitalised development expenditure which qualifies for the aforementioned tax allowances, there is a tax credit of £0.31 million in the year compared to £0.05 million in the previous year.

Adjusted EPS

Given the tax credit situation above, the Group achieved an adjusted profit after tax of £1.09 million (2012: £1.05 million) resulting in adjusted earnings per share of 1.3p (2012: 1.2p).

Balance sheet

Assets

Intangible assets increased to £10.35 million (2012: £9.14 million) reflecting the level of capitalised development expenditure, offset by amortisation of intangible assets. There have been no impairment charges against goodwill or intangible assets throughout the year.

Inventory levels increased marginally to £1.83 million (2012: £1.69 million) and reflect the additional need to carry inventory within our Indian subsidiary.

Cash at the year-end reduced to £0.16 million (2012: £1.16 million) reflecting the level of investment in development activity and loan repayments collectively exceeding cash generated from operating activities.

Liabilities

Trade and other payables increased to £1.68 million (2012: £1.45 million).

Total borrowings and other financial liabilities reduced to £1.35 million (2012: £1.43 million) due mainly to repayment of loans of £0.5m

and settlement of an IDS-iSYS licence fee instalment of £0.13 million, offset by the creation in the year of the liability for the final licence fee payment of £0.5 million due to IDS.

Funding

During the financial year, the Company negotiated an increase to its overdraft facility from £0.7 million to £1.7 million, repayable on demand. The facility was renewed at the beginning of May for one year, prior to the institutional placing announced on 24 May 2013. Further to the approval of shareholders given at the general meeting on 10 June, the Group raised £4 million before expenses through the issue of 23,529,412 new ordinary shares at 17p per share. The placing was oversubscribed and we are very grateful for the support of existing and new shareholders alike. The additional funds will enable us to implement our main strategies below.

Product strategy

Visitect® CD4

Feedback from the global HIV/AIDS healthcare community continues to underpin the significance of the opportunity represented by the Company's Point-of-Care ("POC") Visitect® CD4 test. Subject to a successful completion of the technology transfer from the Burnet Institute to the Company, a large part of the placing proceeds (see Funding above) will be used both to scale up the manufacturing and inventory-build of CD4 to meet the potential demand that undoubtedly exists for a POC product solution and to undertake in-country field evaluations that are planned with major organisations, active in the HIV/AIDS arena. The early feasibility work undertaken to develop a smartphone App reader is also promising in scope and applicability in parts of the world where Visitect® CD4 is expected to have most impact. This remains the most significant near-term opportunity for the Group to achieve growth in shareholder value and is expected to lead to a longer term strategy for POC product opportunities in emerging and developing world infectious diseases.

Allergy automation

The Group remains focused on launching a panel of approximately 40 allergy tests on the automated IDS-iSYS instrument by the end of March 2014 and the recently announced achievement of finalising the assay protocol on which all remaining development will take place, along with the intention to appoint IDS as distributor in their core markets of the UK, Germany, France, the Nordic regions and the US means we remain committed to building a significant presence in the growing automated allergy testing market.

Market strategy – BRIC focus

The IVD industry as a whole has seen a slowdown in growth during 2012 as the major European, US and Japanese markets have experienced increased pressure on

reimbursement levels and cuts in national health expenditure. By contrast, the emerging markets, particularly India and China, have continued to experience double-digit growth rates. The Group's decision to set up its own subsidiary in India nearly two years ago appears prescient against this backdrop and is expected to achieve growth both with our existing Food Intolerance products and the recently launched Allergodip® doctor's office test. Both China and Brazil are top-five markets, ranked by sales of Food Detective® and the relationship with HOB Biotech in China is expected to deliver further growth in this market.

Board and employees

I am very pleased that we have been able to attract and appoint Bill Rhodes as a non-executive director to the Board and look forward to working with him, given his knowledge and experience built up over many years, particularly with Becton Dickinson, as we implement our strategies outlined above. Mike Gurner has decided to retire and step down from the Board with immediate effect. I would like to thank Mike for his contribution over the many years since the Group became a public Company and I, on behalf of the Board, wish him all the best in his retirement.

Outlook

More than half of Group turnover is generated in the UK and Europe, predominantly through the Food Intolerance and Allergy/Autoimmune divisions. The economic uncertainty in this region has led to a slowdown in growth in European IVD markets and the ability to grow our own business is not immune from the broader landscape. In Germany, in particular, the reimbursement picture remains uncertain and the early pollen season has once more suffered from some of the wettest weather seen in Northern Germany for many years. Sales in the Middle East have also got off to a slower start, in part linked to the political situation. To counter risk in these areas, we have a strategy to focus on the emerging BRIC markets and our success in growing revenue in the year ahead will be dependent on whether sales into these higher growth territories can compensate for the pressures being experienced in Europe and elsewhere.

Beyond the immediate term, our ability to drive growth will be best delivered through the successful commercialisation of the CD4 test and automated allergy tests on the IDS-iSYS instrument. A significant amount of progress has been made in the past year and it is now time to deliver on these strategies.



David Evans
Non-Executive Chairman
28 June 2013

Our Markets

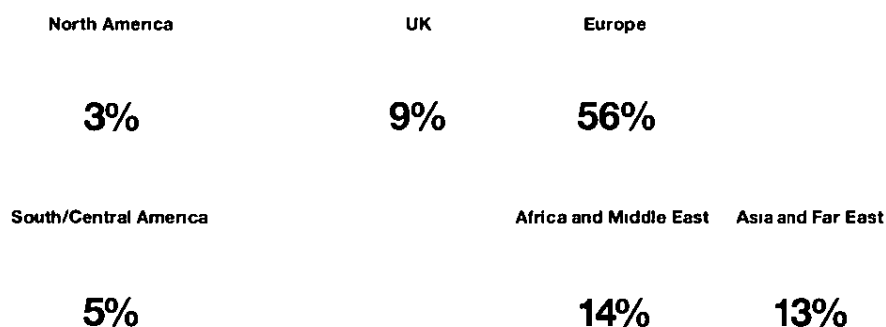
We provide millions of diagnostic tests to over 100 countries

Today, Omega is one of the UK's leading companies in the fast growing area of immunoassay and has a global presence in over 100 countries worldwide through directly controlled subsidiaries and a strong distribution network.

Our global markets

Group revenue share by geography

- Infectious Diseases
- Allergy & Autoimmune
- Food Intolerance



Our customers

Our products can be found globally in

- Hospitals
- Blood banks
- Laboratories
- General practitioners
- Nutritionists
- Outreach clinics

Our focus on BRIC markets

The BRIC group of countries are our strategic market focus. We have further concentrated our efforts on expanding our business in these areas.

2011 estimated IVD market

\$4.3bn				
\$2.5bn				
\$1.0bn				
\$0.3bn		\$0.5bn		
Brazil	Russia	India	China	Total

Performance in 2013

Brazil

- Strong growth in sales of Food Intolerance products

Russia

- Reduction of sales due to the timing of contract deliveries and introduction of competitive automated systems

India

- Commencement of direct selling and exclusive distribution agreement for Food Detective signed with Super Religare Laboratories

China

- Food Detective® formally approved by the State Food and Drug Administration of China and first Genarrayt® installation

Sales (£'000)

Brazil		Russia		India		China	
2012	2013	2012	2013	2012*	2013	2012	2013
209	285	150	103	247	400	118	176

Note 2012 excludes blood-based TB tests to show like for like with 2013

Strategy and KPIs

A robust strategy for tackling worldwide health issues

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

Group strategy

acquisitions

The acquisition of the business and certain assets of the in vitro allergy diagnostics business of Allergopharma Joachim Ganzer KG in December 2010 provided the Group with access to the high value allergy testing market

global partnerships

In March 2011 the Group entered into an exclusive Patent Licence Agreement with a subsidiary of Immunodiagnostic Systems Group plc (IDS) enabling Omega to develop a range of allergy immunoassays on IDS's automated system (IDS-iSYS). Combined with Omega's experience in assay development, this forms a strong platform for allergy testing

significant growth

The global allergy market is currently estimated at \$0.5 billion per year with a compound annual growth rate of 8%. The acquisition and partnership represent a significant opportunity for revenue generation in this area

Key Performance Indicators

Sales

Progress made in 2013

Solid performance with margin maintained

Strategy for 2014

Commercialise iSYS and CD4 and continue to grow sales in India

			£11.3m	
			+1%	
			£11.3m	
			1%	
£5.4m	£6.2m	£7.9m		
+56%	+14%	+27%		
2009	2010	2011	2012	2013

Gross Margin

Progress made in 2013

Margin maintained

Strategy for 2014

Improved margin through the introduction of new products

			63%	
			+3.4%	
			63%	
			no change	
61.5%	58.3%	59.6%	63%	63%
+7.1%	-3.2%	+1.3%	+3.4%	-
2009	2010	2011	2012	2013

Adjusted Profit Before Tax

Progress made in 2013

Reduced by 22% on prior year

Strategy for 2014

Manage cost base through final development phase of new products

			£0.8m	
			-22%	
			£0.8m	
			22%	
£540k	£589k	£736k	£1m	£0.8m
+81%	+8%	+25%	+36%	-22%
2009	2010	2011	2012	2013

Food Intolerance – Genarrayt® Reagent Sales

Progress made in 2013

France became largest market by revenue

Strategy for 2014

To continue to grow revenue per instrument

			£1.84m	
			+18%	
			£1.84m	
			18%	
£547k	£720k	£1.49m	£1.56m	£1.84m
+35%	+44%	+80%	+5%	+18%
2009	2010	2011	2012	2013

Food Detective Sales

Progress made in 2013

Sales exceeded £1 million for the first time

Strategy for 2014

To replicate success of top five markets

			£1.25m	
			+27%	
			£1.25m	
			27%	
£314k	£790k	£772k	£980k	£1.25m
+44%	+152%	-2%	+27%	+27%
2009	2010	2011	2012	2013

Chief Executive's review

The 'game changing' growth potential of the Visitect® CD4 product is expected to make a major impact in Global Health markets as this test satisfies a current unmet clinical need.

Andrew Shepherd Chief Executive

In summary

- CD4 technology transfer nearing completion
- iSYS Allergy programme on track to launch 40 allergen test menu by end of March 2014
- Appointment of Bill Rhodes as a Non-Executive Director
- Oversubscribed Fundraising to raise £4 million in cash before expenses

The Group has seen a marginal increase in revenue for the year to £11.26 million, slightly ahead of last year's figure (2012: £11.12 million)

It is pleasing to have managed to retain profitability in turbulent economic times. Our decision to go direct in the Indian market has been vindicated with a strong performance from the new team. With Visitect® CD4, we have been making steady progress, with the technology transfer process nearing completion and the latest results looking very encouraging. In addition, our allergy test development programme with the IDS-iSYS instrument has also made good progress.

Food Intolerance

The Food Intolerance market has continued to grow despite the obvious pressures on consumer spending in Europe and the segment has continued to perform very well with sales growing by 13% to £4.39 million for the year ended 31 March 2013 (2012: £3.90 million)

Sales of Food Detective® grew by 27% to £1.25 million (2012: £0.98 million) with Poland continuing to remain as the Group's largest market for this product. The number of countries where we have now sold product has continued to increase to 72 (2012: 68) with an increase in volumes to 85,214 kits (2012: 60,782). The top five markets account for just over 50% of sales with good growth in China and Brazil which fits with the Group's strategic focus on BRIC countries. Product registration in China finally concluded in December 2012 and as a result we expect sales in China to increase. The signing of an exclusive distribution agreement with Super Religare Laboratories, India's largest independent laboratory chain, should also lead to good sales growth going forward.

Sales of Genarrayt® reagents have increased by 18% to £1.84 million (2012: £1.56 million) with France overtaking Spain to become the largest single market by sales. Revenue per instrument (excluding Spain) increased by 19% to £12,885 (2012: £10,783) and 11 Genarrayt® systems (2012: 13 systems) were sold in the year bringing the total global placements to 119 systems.

Sales of Foodprint® tests through the CNS testing laboratory have grown to £0.61 million (2012: £0.48 million). The testing services for food intolerance and

other related tests have shown an increase in business to £0.65 million (2012: £0.62 million).

The progress with registration of Food Detective® in the United States has continued to be slow and the FDA has recently confirmed that they will require either a 510(k) or PMA application to be filed. The 510(k) route is considered to be the more unlikely option due to the lack of a suitable predicate device. As such the timeline to registration remains uncertain. The whole business area of Food Intolerance testing in the US is under review and other additional routes to market are being explored, particularly for the Genarrayt® laboratory testing system which we believe has good potential and could be subject to a less onerous regulatory environment.

Allergy and Autoimmune

This segment has seen a reduction in sales of 7% to £4.16 million (2012: £4.48 million).

Sales for Omega Diagnostics GmbH ('Omega GmbH'), our German subsidiary, fell by 7% to £3.59 million (2012: £3.86 million). As reported at the interim results, the first half saw a weaker pollen season due to unseasonably wet weather. A weaker Euro also contributed to the lower result. This segment performed better in the second half, helped by the launch of an Indian version of Allergodip®. The Company has also launched a new liquid format of the Allergozyme® product range which is expected to contribute to Omega GmbH's export performance in the new financial year.

Sales of autoimmune tests reduced by 7% to £0.57 million (2012: £0.62 million). We previously reported that the current range of autoimmune test kits were limited to small labs with manual test systems. Continued consolidation in developed country laboratory markets mean that they require even more automation and menu driven solutions which has outpaced our own ability to invest in developing revised kit formats. Therefore the decision was taken to direct resources to the IDS-iSYS project. However in India a market dominated by many small manual testing laboratories with less dependency on automated systems we have seen an increase in business and we expect to see further growth in the new financial year.

Infectious Disease/Other

Sales of infectious disease products fell slightly by 1% to £2.71 million (2012: £2.75 million). This is despite the loss of annual sales of approximately £0.2 million in India

due to a Government ban on the import of blood-based TB tests. The market for the current range still remains highly competitive but we believe that the CD4 opportunity will be the step change in activity and focus required to transform this segment.

CD4

The CD4 test, branded as Visitect® CD4, was pre-launched at the 19th International AIDS Conference, AIDS 2012, in Washington DC, US on 22-27 July 2012 and the response to the product was extremely encouraging with a high level of interest being shown by various Governments, Non-Governmental Organisations (NGOs) and large multinational diagnostics companies. From the responses received we believe that we are closest to bringing a CD4 Point-of-Care test to market amongst other groups working in this area. This first to market advantage will add extra impetus to the introduction of the commercial product when it becomes available.

The project to transfer the technology from the Burnet Institute to Omega is in its final stages and, despite it taking longer than we first envisaged, we are now in the process of selecting the final highly scalable manufacturing protocol. Evaluation sites in HIV Reference Laboratories in the UK, US and India are already established as well as a field trial site in Mozambique and other countries through various NGOs.

Visitect® CD4 was also showcased at the African Society for Laboratory Medicine meeting in Cape Town, South Africa in December 2012 and the response to the product mirrored that in Washington. This meeting also gave us the opportunity to gain further intelligence as to the market potential for the product. The global CD4 need is expected to grow substantially over the next 8 years as countries scale up their HIV/AIDS treatment programmes. The number of tests is expected to rise from current 2012 levels of just over 30 million to nearly 60 million tests by 2020.

The recent grant of a US Patent for the CD4 technology also underlines the strong IP position for the test which extends the current patent protection in South Africa and the member states of the African Intellectual Property Organisation, with patents pending in many other territories.

We have also been looking to enhance the value of our Visitect® CD4 product offering by responding to requests from Key Opinion

Leaders to provide a 'connectivity solution' so that results can be transmitted from rural test sites to city-based Ministry locations. Although the test does not need an instrument to read the result, we have recently completed a feasibility study in using a smartphone camera to capture the result and then to transmit the result to management centres. While removing any operator subjectivity in interpreting the results it could also provide additional benefits such as disease demographic studies and supply chain logistics, a common problem found in resource-poor countries.

Distribution network

Sales growth has been recorded in most geographic regions of the world with the exception of Europe which reduced by 1% to £6.41 million (2012: £6.48 million) and the Africa/Middle East region which dropped by 4% to £1.56 million (2012: £1.63 million). These reductions were more than offset by good growth in the Asia/Far East markets with sales rising by 9% to £1.44 million (2012: £1.32 million) and in the North American market by sales rising 6% to £0.35 million (2012: £0.33 million). Sales to South/Central America rose by 16% to £0.51 million (2012: £0.44 million).

BRIC Strategy

In the year, we have further concentrated our efforts on expanding our business in the BRIC group of countries and we have met with some success. In Brazil we increased sales by 10% to £0.29 million (2012: £0.26 million), in China we increased sales by 49% to £0.18 million (2012: £0.12 million) but in Russia sales decreased by 31% to £0.10 million (2012: £0.15 million) which was due to the timing of contract deliveries and the introduction of competitive automated systems.

Direct sales in India commenced at the end of July last year and the team has achieved an impressive sales performance which, when aggregated with the final sales made by the old distributor in the three months of April-June 2012, meant total Indian sales of approximately £0.40m for the year. This compares to a prior year like-for-like sales figure of approximately £0.20 million (which excludes the TB product sales noted earlier).

Discussions have also been taking place with other IVD companies with a view to representing them in the Indian market and two distribution agreements have already been signed with others in early stage discussions.

Chief Executive's review continued

Growth has been recorded in most geographic regions of the world.

Research and development IDS-iSYS

During the year, our development efforts have focussed on a core set of assays with the first group of 10 allergens completing optimisation. However, during that process, certain imprecision issues were identified with the assay protocol which, whilst taking longer to resolve than first anticipated, have now been resolved. This protocol will now be used throughout the remaining development programme and the claim support phase with the first 10 allergens has now commenced. The previous problem with the sourcing of sufficient patient serum samples has now been resolved with enough material in stock to undertake the optimisation and claim support work for a further 30 allergens. Therefore, with the reproducibility of the chosen protocol, overall, we now anticipate launching a panel of 40 allergens by the end of March 2014.

In our last Annual Report we commented on efforts to either source or develop a multiplex testing platform for allergen specific IgE testing. Whilst those initial tests were encouraging, no further efforts have been made on this project as we decided to concentrate our development resources on the iSYS programme.

Infectious Disease

At the same time as we licensed the CD4 test from the Burnet Institute we also licensed a second test technology for a POC test for detecting active Syphilis infection which is a major public health problem in developing countries. Progress with the technology transfer of this product has not advanced due to the time, effort and concentration being expended on CD4. We expect to renew our efforts with this test upon completion of the technology transfer of the CD4 test.

VISITECT® CD4 App

Enhancing the value of our Visitect® CD4 product offering by responding to requests from Key Opinion Leaders to provide a 'mHealth solution' so that results can be transmitted from rural test sites to city-based ministry locations.

Results from remote village to Ministry of Health

VISITECT®CD4 Test

1

Remote location

2

Download app

3

Run tests


Outlook

The new financial year presents some challenges for the management team in terms of market and overall economic conditions. With new product introductions into key markets such as India and further growth in Food Intolerance in China and Brazil we expect to be able to respond positively to these challenges. The 'game changing' growth potential of the Visitect® CD4 product is expected to make a major impact in global health markets as this test satisfies a current unmet clinical need

Over the last year we have been given deep insight into the NGO/Aid-related business sector which is where the Visitect® CD4 test is targeted. Until now, this sector has not been at the forefront of our commercial focus but we are reviewing this part of our strategy with a view to identifying other opportunities that

would fit into this sector. One such opportunity that may exist is in the area of HIV Viral Load testing, an area which is highly complementary to CD4 testing.

We have been delighted at the support received from existing shareholders and new investors for our recent oversubscribed fundraising and while there are challenges in the Eurozone countries we believe our continued focus on new products such as CD4 and the BRIC markets should result in further profitable growth.



Andrew Shepherd
Chief Executive
28 June 2013

- Feasibility study completed in using a smartphone camera to capture the result and then to transmit the result to management centres
- Feasibility work is promising in scope and applicability in parts of the world where Visitect® CD4 is expected to have most impact
- Removes any operator subjectivity in interpreting results
- Additional benefits such as disease demographic studies and supply chain logistics
- Further differentiates Omega's product offering from the competition

www.cd4counts.com

mHealth technology

Cloud database

4

Scan results

5

Sync to server

6

Global access to secure results and data

Segmental Review: Infectious Diseases

Infectious Diseases: a change in activity and market focus

The Company is pursuing an exciting new opportunity represented by its new Point-Of-Care (POC) **Visitect® CD4** test. POC testing for CD4 could transform the way that care and treatment are provided to HIV-positive patients particularly in developing countries.

Revenue

£2.71m
1%

Main products

- Immutrep Syphilis
- Micropath Bacterial tests
- Dengue Elisa

Turnover in the Infectious Disease division was effectively flat with sales of £2.71 million, compared to £2.75 million in the prior year. This result is despite the loss of TB sales in India due to a government ban on the import of all blood based TB tests and which, in the prior year, accounted for approximately £0.2 million of the Company's revenue. The market for the current range still remains highly competitive but we believe that the CD4 opportunity will be the step change in activity and focus required to transform this segment. The increased level of administration costs incurred through the Indian subsidiary has resulted in adjusted PBT falling to £0.17 million from £0.32 million the year before.

The CD4 test, branded as **Visitect® CD4**, was pre-launched at the 19th International AIDS Conference, AIDS 2012, in Washington DC, US on 22-27 July 2012 and the response to the product was extremely encouraging with a high level of interest being shown by various governments, non-governmental organisations (NGOs) and large multinational diagnostics companies. From the responses received we believe that we are closest to bringing a CD4 Point-Of-Care test to market amongst other groups working in this area.

The project to transfer the technology from the Burnet Institute to Omega is in its final stages and despite it taking longer than we first envisaged we are now in the process of selecting the final highly scalable manufacturing protocol. Evaluation sites in HIV Reference Laboratories in the UK, US and India are already established as well as a field trial site in Mozambique and other countries through various NGOs.

Visitect® CD4 was also showcased at the African Society for Laboratory Medicine meeting in Cape Town, South Africa in December 2012 and the response to the product mirrored the experience of Washington. This meeting also gave us the opportunity to gain further intelligence as to the market potential for the product. The global CD4 need is expected to grow substantially over the next eight years as countries scale up their HIV/AIDS treatment programmes with the number of tests rising from current 2012 levels of just over 30 million to nearly 60 million tests by 2020.

The recent grant of a US Patent for the CD4 technology also underlines the strong intellectual property position for the test which extends the current patent protection in South Africa and the member states of the African Intellectual Property Organisation, with patents pending in many other territories.

Product focus

Visitect® CD4: Point-Of-Care HIV testing

HIV is a major global health challenge affecting approximately 33 million people with five million new cases per year, mainly in the emerging and developing world, and is the primary cause of disease burden in twelve countries, including South Africa and India where we have people present

The Burnet Institute has developed a test that provides an affordable solution, using a format similar to a home pregnancy test. Implementation of the Visitect® CD4 will directly increase the availability, access, scope and coverage of CD4 testing beyond the urban centres to reach the rural majority in emerging and developing countries. Substantially increasing the number of people with access to CD4 testing will reduce morbidity and mortality, decrease hospitalisation and loss to treatment.

33m

HIV-infected people globally

17.1%

Infected people in developing countries with no access to treatment

34.2m

Potential number of CD4 tests performed per year based on world health organisation guideline of two tests per annum

What are the challenges presented by HIV?

Although HIV is easy to diagnose, identifying who needs treatment is difficult

HIV primarily affects those in developing countries who might not have access to tests

Tests are typically expensive – over US\$10

How does Visitect® CD4 provide a solution?

Visual results from a finger-prick blood sample are achievable in around 40 minutes

CD4 is portable and instrument-free and therefore is easy to access

Low cost – at just US\$5 per test

Segmental Review: Allergy & Autoimmune and Food Intolerance

A competitive automated allergy system and the fifth year of consecutive growth in Food Intolerance sales

Revenue Allergy & Autoimmune

£4.16m

7%

Revenue Food Intolerance

£4.39m

13%

Segmental review Allergy and Autoimmune

Turnover in the Allergy and Autoimmune division fell by 7% with sales of £4.16 million compared to £4.48 million in the prior year. Sales in Germany fell by 2% in constant currency terms due to a weaker pollen season, with a further 5% reduction due to a weaker euro, on average throughout the year, against sterling as compared with the year before. Therefore, sales through Omega GmbH were £3.59 million compared to £3.86 million a year earlier. Sales of autoimmune products also fell by 7% to £0.57 million (2012: £0.62 million). Approximately £50k of restructuring costs related to this division and, alongside the reduced sales, led to an adjusted loss before tax of £20k (2012: profit of £134k). This segment performed better in the second half, helped by the launch of an Indian version of Allergodip®. The Company has also launched a new liquid format of the Allergozyme® product range which is expected to contribute to Omega GmbH's export performance in the new financial year.

Segmental review Food Intolerance

The Food Intolerance division continued to perform well with growth in turnover of 13% to £4.39 million (2012: £3.90 million). Genarrayt® reagent sales continued to rise across the installed instrument base with a 19% increase in average revenue per instrument to £12,885 in all markets excluding Spain. A further eleven systems were installed in the year increasing total placements to 119. Total reagent sales grew to £1.84 million with France becoming the number one market, ranked by sales, ahead of Spain. Sales of Food Detective® performed strongly with an increase in turnover of 27% to £1.25 million (2012: £0.98 million) with another exceptional performance in Poland where sales grew by a further £0.1 million to £0.3 million. The overall average price per kit (excluding China) also increased to £22.01 from £21.64 the year before, showing a level of resilience in a consumer market environment. The Foodprint® laboratory recorded another year of revenue growth of 26% with sales up to £0.61 million (2012: £0.48 million). The adjusted PBT for this division grew to £1.23 million from £1.14 million the year before.

Product focus

IDS-iSYS: automated allergy testing

IDS-iSYS update

Since the beginning of April 2012 (when six allergens had been optimised), a further four allergens were optimised by the end of November 2012, at which point it was decided to concentrate on finalising the assay protocol whilst building up sufficient quantities of patient serum samples for the next 30+ allergens to be optimised. The assay protocol has now been finalised and sufficient stocks of patient sera now exist. The work still to be done includes claim support of the first group of ten allergens followed by optimisation/claim support of the remaining allergens groups to meet the planned target of launching a panel of 40+ tests by March 2014.

The main revenue stream will be from allergy test sales to new and already installed analyser customer base either directly or through appropriate distribution channels. The fundamental change in strategy is the amendment of the IDS licence agreement which now allows Omega to appoint IDS as an exclusive distributor in IDS core markets (UK, Germany, France, Nordic countries and US). This will allow access to a pre-installed base of approximately 340 instruments and an established service engineer's base. This agreement with IDS will allow accelerated market penetration.

Allergy areas:

The assay protocol has been finalised on representative allergens from the groups below

Foods

Pets

Nuts

Pollens

Dust mites

Product focus

Genarray[®] food intolerance testing

The Group provides a range of diagnostic laboratory tests and instrumentation associated with food intolerance and gut health. Based on quantifying total IgG reactions to over 220 different foods these tests are designed to support both health professionals and individuals who wish to make informed decisions when managing their health.

Genarray[®] is a laboratory-based system developed and manufactured by the Group, which utilises an innovative, colorimetric microarray-based ELISA technology for the measurement of food-specific IgG antibodies in human serum, plasma or whole blood. The flexibility of the system permits a wide range of food panels to be offered, including 40, 60, 120 and 200+ foods, together with vegan, vegetarian and herbs/spices options.

Genarray[®] reagent sales continued to rise across the installed instrument base with a 19% increase in average revenue per instrument to £12,885 in all markets excluding Spain. A further eleven systems were installed in the year increasing total global placements to 119.

Total reagent sales grew to £1.84 million with France becoming the number one market, ranked by sales, ahead of Spain.

The whole business area of Food Intolerance testing in the US is under review and other additional routes to market are being explored, particularly for the Genarray[®] system which we believe has good potential and could be subject to a less onerous regulatory environment.

Financial review

Our recent equity placing to raise £4m was completed very successfully and was significantly over-subscribed.

Kieron Harbinson Finance Director

In summary

- Successful equity placing to raise £4m completed and over-subscribed
- Growth of 13% in Food Intolerance sales
- Increase in average revenue per Genarrayt® system (excluding Spain) by 19% to £12,885
- Food Detective sales of £1.2m

Financial performance

Turnover for the Group increased marginally by 1% to £11.26 million (2012: £11.12 million). The Food Intolerance division increased turnover to £4.39 million (2012: £3.90 million) with Genarrayt® reagent sales per instrument of £12,885, compared to £10,783 in the previous year and Food Detective® kits generating revenue of £1.25 million (2012: £0.98 million). Allergy and Autoimmune turnover fell to £4.16 million (2012: £4.48 million) due mainly to a weaker euro against sterling, as compared to the prior year, but also due to wet weather as reported at the half-year, affecting the pollen season resulting in fewer patient visits to doctors. Turnover in the Infectious Disease division reduced slightly to £2.71 million from £2.75 million in the year before.

Gross profit has remained fairly constant at £7.05 million (2012: £7.0 million) and similarly, gross margin has been maintained at 62.6% (2012: 63.0%).

Administration costs have reduced marginally by £22k to £4.45 million (2012: £4.47 million). An increase of £0.15 million relating to costs incurred in being fully operational through Omega Dx (Asia) in India has been offset by a reduction, mainly relating to uncapitalised development/technical expenditure of approximately £0.27 million. One-off restructuring costs of approximately £0.1 million were incurred during the first half of the year.

Sales and marketing costs have increased by £0.28 million to £2.30 million (2012: £2.02 million). £0.26 million of this increase reflects a full year's charge in the current year for four UK-based headcount positions recruited at varying stages in the prior year; one at Director level, one at Business Development director level and two product manager positions. The remaining increase of £18k reflects additional sales force costs incurred in India.

Adjusted profit before tax reduced by 22.5%, to £0.78 million (2012: £1.0 million). A reconciliation between statutory profit before tax and adjusted profit before tax is shown at the foot of the income statement.

Taxation

There has been a significant increase in the tax credit position resulting in a credit of £306k (2012: £48k) in the year. Of this credit, £16k relates to HMRC rebates and the majority, of £290k, relates to movements in deferred tax. The deferred tax asset has grown significantly, mainly reflecting an increase in tax losses carried forward as a result of enhanced tax credits available on development expenditure. The deferred liability has increased during the year as a result of a timing difference arising on capitalised development expenditure. 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 profit after tax ("PAT") of £1.08 million (2012: £1.05 million) is arrived at by taking adjusted profit before tax of £0.78 million (2012: £1.0 million) plus the tax credit of £0.30 million (2012: £0.48k).

Adjusted earnings per share amounted to 1.3p (2012: 1.2p) and is arrived at by taking the adjusted PAT of £1,085k and dividing by 85,268,960 (2012: 85,238,746) being the weighted average number of shares in issue for the year. Statutory profit for the year amounted to £582k (2012: £527k) which resulted in earnings per share of 0.7p versus earnings per share of 0.6p in the previous year.

Operational performance

Food Intolerance

The Food Intolerance division continued to perform well with growth in turnover of 13% to £4.39 million (2012: £3.90 million). Genarrayt[®] reagent sales continued to rise across the installed instrument base with a 19% increase in average revenue per instrument to £12,885 (2012: £10,783) in all markets excluding Spain. A further 11 systems were installed in the year increasing total placements to 119. Total reagent sales grew to £1.84 million (2012: £1.56 million) with France becoming the number one market, ranked by sales, ahead of Spain.

Sales of Food Detective[®] performed strongly with an increase in turnover of 27% to £1.25 million (2012: £0.98 million) with another exceptional performance in Poland where sales grew by a further £0.1 million to £0.3 million. The overall average price per kit (excluding China) also increased to £22.01 from £21.64 the year before, showing a level of resilience in a consumer market environment.

The Foodprint[®] laboratory recorded another year of revenue growth of 26% with sales up to £0.61 million (2012: £0.48 million).

The adjusted PBT for this division grew to £1.23 million from £1.14 million the year before.

Allergy and Autoimmune

Turnover in the Allergy and Autoimmune division fell by 7% with sales of £4.16 million (2012: £4.48 million). Sales in Germany fell by 2% in constant currency terms due to a weaker pollen season with a further 5% reduction due to a weaker euro, on average throughout the year, against sterling as compared with the year before. Therefore, sales through Omega GmbH were £3.59 million compared to £3.86 million a year earlier. Sales of autoimmune products also fell by 7% to £0.57 million (2012: £0.62 million). Approximately half of the restructuring costs referred to earlier (so approx. £50k) related to this division and, alongside the reduced sales, led to an adjusted loss before tax of £20k (2012: profit of £134k).

Infectious Disease/Other

Turnover in the Infectious Disease division was effectively flat with sales of £2.71 million, compared to £2.75 million in the prior year. This result is despite the loss of TB sales in India due to a government ban on the import of all blood-based TB tests and which, in the prior year, accounted for approximately £0.2 million of the Company's revenue. The increased level of administration costs incurred through the Indian subsidiary has resulted in adjusted PBT falling to £0.17 million from £0.32 million the year before.

Corporate costs

Net centralised costs include costs not allocated to any specific division and, where the Group makes internal arrangements to fund divisions via intercompany loans, interest is charged to the specific division and the corresponding interest income is netted off through Corporate costs. Net centralised corporate costs for the year of £0.60 million were in line with last year (2012: £0.58 million).

Treasury operations

Currency management

The Group continues to transact 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 generates a net surplus of US dollars from its trading activities. The exchange rate between sterling and the US dollar has been relatively stable throughout the year such that a translation loss of £1k (2012: £1k) was recorded on US dollar borrowings held throughout the first half of the year but now repaid in full along with a loss on trading operations of £2k (2012: £22k) 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 of £27k (2012: loss of £271k), which has arisen due to a stronger euro (as measured at year-end rates), has been included within other comprehensive income.

Interest rate management

During the first half of the year, the Group operated certain derivative financial instruments for its sterling and US dollar borrowings. In the case of its sterling loan, the Group operated an instrument to cap interest at 5.5% and in the case of the US dollar loan, the Group operated instruments to cap the interest rate based on US Libor at 5% and one to operate a floor rate on US Libor of 2.25%. These instruments terminated on repayment of the associated borrowings.

During the year there was a fair value adjustment gain through the income statement of £1k (2012: £3k).

Cash flow and net debt

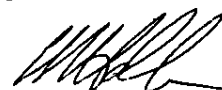
Net cash flow generated from operations improved significantly to £1.01 million (2012: £0.69 million), despite a reduction in operating profit through a more efficient handling of working capital. The Group spent a net £1.49 million (2012: £1.20 million) on investing activities, of which £1.18 million (2012: £0.75 million) was on intangible assets and £0.31 million (2012: £0.45 million) was on property plant and equipment. Loan repayments included the final repayments of the bank loans taken out in 2007 and a first instalment of £0.36 million was repaid in September 2012 on the vendor loan note. Cash balances at the year-end amounted to £0.16 million (2012: £1.16 million) and the net debt position was £0.69 million (2012: £0.14 million).

Financing

Just after the year-end, the Company renewed its £1.7 million overdraft facility on the same terms as before and it remains annually renewable and repayable on demand. In June, approval was received in General Meeting for the allotment of 23,529,412 new ordinary shares at 17p per share which were admitted to trading on AIM. This follows a successful equity placing to existing and new institutional shareholders to raise £4 million (before expenses of approximately £0.24 million). The placing was oversubscribed and we are grateful for the good level of support shown for the Group's strategy. This leaves the Group with a very strong cash position.

Capital management

The financial performance of the Group is measured and monitored on a monthly basis through a combination of management reporting and KPIs. The Group manages its working capital requirements to ensure it continues to operate within the covenant limits applicable to any borrowing facilities whilst safeguarding the ability to continue to operate as a going concern. The Group funds its operations with a mixture of short and long term borrowings or equity as appropriate with a view to maximising returns for shareholders and maintaining investor, creditor and market confidence. The 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 and to support future growth in the business.



Kieron Harbinson
Group Finance Director
28 June 2013

Board of Directors

David Evans

Non-executive Chairman

David joined Omega in 2000 as Non-executive Chairman. He 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 holds Non-executive Directorships in a number of other companies.

Andrew Shepherd

Chief Executive

Andrew is the Founder and Chief Executive of Omega. He has worked in the medical diagnostics industry for 36 years. 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 significant growth of the export of Omega products. He is an active member of a number of relevant trade associations, and was 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.

Kieron Harbinson

Finance Director

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

Jag Grewal

Sales and Marketing Director

Jag joined Omega in June 2011 as Group Sales and Marketing Director. He has worked in the medical diagnostics industry for 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).

Michael Gurner (resigned 1 July 2013)

Non-executive Director

Michael led the flotation of the Company on AIM in 2006. 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. 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.

William Rhodes (appointed 1 May 2013)

Non-executive Director

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

Senior Management Team

Dr Edward Valente **Group Research and** **Development Director**

Edward joined Omega in March 2011 as Allergy Systems Director. He has worked in the medical diagnostics industry for 29 years. He started his career with Amersham International in 1983 where 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 was responsible for market development of new markers, including clinical studies, and design and development of immunoassay products on automated platforms for industry majors.

Mike Gordon **Group Operations Director**

Mike joined Omega in October 2011 as Group Operations Director. He has worked in the Medical diagnostics industry for 28 years. He started his career with Inveresk Research International as a Development Scientist. He then joined Bioscot Ltd working through its transition to Cogent Diagnostics Ltd and onwards to Hycor Biomedical Ltd. During this time he has held the positions of Quality Manager, Production Director and latterly as Production and Logistics Manager for its last corporate owners. During this period he was responsible for the implementation of ISO 9001 and for successfully navigating the company through the process of US FDA registration and inspection.

Iain Logan **Group Financial Controller**

Iain joined Omega in November 2010 as Group Financial Controller. He qualified as a Chartered Accountant in 2002 with PricewaterhouseCoopers in Edinburgh. He then worked at Murray International Holdings Limited in the head office finance team for three years performing a variety of financial accounting roles. He then moved on to Murray Capital Limited, the investment management company of Murray International Holdings Limited, gaining experience in all aspects of acquisitions, disposals and investment portfolio company analysis and management. His current role primarily covers responsibility for the financial reporting of the Group and management of the Group finance team.

Prashant Maniar **Managing Director –** **Omega Dx (Asia) Pvt Limited**

Prashant joined Omega Dx (Asia) in October 2011 as Managing Director. He has worked in the diagnostics industry for 22 years. He started his career as Production Head in Cadila Laboratories. He then spent 15 years working for GlaxoSmithKline and ThermoFisher Scientific in various roles establishing their diagnostic business in India with 14 collaborations with national and multinational companies. In his most recent role he established the Microbial Control business for Lonza India. He has been responsible for the commercial set up of Omega Dx (Asia) Pvt Ltd and has transitioned the Group's business in India from distributor to wholly owned subsidiary.

Jamie Yexley **Site Manager –** **Genesis Diagnostics Limited,** **Cambridge Nutritional Sciences Limited**

Jamie joined Genesis and CNS in June 1999 as a Production Laboratory Assistant. He was promoted to Production Manager in 2005 and Operations Manager in 2009. He has been instrumental in seeing the Company through a sustained period of rapid growth and change. In 2012 he moved to the role of Site Manager. He has 20 years manufacturing experience with 13 years specifically in the medical diagnostics industry. Educated in Cambridge he has spent his professional career working in the manufacturing industry starting in an FMCG environment. Throughout his time with the Company he has been responsible for ICT where he is recognised as the Group's foremost expert.

Karsten Brenzke **Site Manager –** **Omega Diagnostics GmbH**

Karsten joined Omega GmbH in November 2010 as a consultant to facilitate the acquisition of the IVD business from Allergopharma. He was then appointed on a permanent basis initially as Finance Manager before being appointed as Site Manager in May 2012. He has worked for different industry companies in the finance control function with his longest stay of seven years at Zeppelin Power Systems where he gained experience in mergers and post-merger integration.

Advisers

Nominated adviser and broker**finnCap Limited**

60 New Broad Street
London EC2M 1JJ

Auditors**Ernst & Young LLP**

G1
5 George Square
Glasgow G2 1DY

Solicitors**Brodies LLP**

15 Atholl Crescent
Edinburgh EH3 8HA

Registrar**Share Registrars Limited**

Suite E
First Floor, 9 Lion and Lamb Yard
Farnham
Surrey GU9 7LL

PR**Walbrook PR Limited**

4 Lombard Street
London EC3V 9HD

Country of incorporation

England & Wales

Omega Diagnostics Group PLC

Registered number 5017761

Directors' Report

The Directors present their Annual Report and Group financial statements for the year ended 31 March 2013

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 £582,266 (2012: £526,983) 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 4 and 5 and the Financial Review on pages 18 and 19.

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 2013 is £59,896 (2012: loss of £89,416).

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 4, 10 and 18 respectively. Key performance indicators are disclosed and discussed on page 9.

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 10 to 13. Costs in the year amounted to £1,167,274 (2012: £785,390). Costs of £140,810 in relation to research activities (2012: £486,584) were expensed through the statement of comprehensive income and costs of £1,026,464 in relation to product development (2012: £298,806) were capitalised and included within intangible assets as detailed in Note 8.

Directors

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

David Evans

Michael Gurner (resigned 1 July 2013)

Kieron Harbinson

Andrew Shepherd

Jag Grewal

William Rhodes (appointed 1 May 2013)

Biographies of all Directors serving at the year end are on page 20.

Directors' interests

The beneficial interests of Directors who have served throughout the year are listed in the Directors' Remuneration Report on pages 25 and 26. There are no non-beneficial interests held by Directors. Directors' interests in the shares of the Group between 31 March 2013 and the date of this report have changed as certain of the Directors participated in the June 2013 fundraising. New ordinary shares purchased:

Andrew Shepherd	—	41,176
Kieron Harbinson	—	29,412
Michael Gurner	—	147,059
Jag Grewal	—	29,412

Major interests in shares

As at 11 June 2013 the following shareholders held more than 3% of the Group's issued ordinary share capital:

	Number of 4 pence ordinary shares	Percentage
Legal & General Investment Management	19,476,471	17.91%
Octopus Investments Limited	9,946,870	9.15%
Mobius Equity Partners LLP	8,333,250	7.66%
Killik & Co LLP	6,629,358	6.10%
Unicorn Asset Management	4,266,650	3.92%
Liontrust Investment Partners LLP	4,117,647	3.79%
JM Finn & Co	3,994,946	3.67%

Supplier payment policy

It is the Group'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 Group at 31 March 2013 were equivalent to 66 days (2012: 60 days) based on the average daily amount invoiced by suppliers during the year.

Directors' Report continued

Employees

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

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 22 to the financial statements contains details of financial risks faced by the Group.

The Board considers the following to be the non-financial risks.

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 that meet certain selection criteria and by conducting a detailed due diligence review.

Eurozone risk

Recent turmoil in the economic conditions in Europe increases the risk of one or more countries exiting the eurozone. This could lead to currency devaluation in those countries which could lead to adverse economic impacts elsewhere. Approximately one third of the Group's revenue is derived in Germany where the euro is the functional reporting currency. The Group does not currently have operations located in any other European country. However, in the event of a country's exit from the eurozone, potentially higher volatility of the euro could lead to a reduction in the reported trading results of our German operation when translated into sterling. The Group mitigates risk in countries such as Spain and Italy, where it has trading relationships, with tighter credit control procedures and credit limits where necessary.

Development risk

The Group is undertaking an increased level of development activity than in the past with the aim of launching new products in the future. There is no guarantee that development activity will lead to the future launch of products. Such development activity can meet technical hurdles that are unable to be overcome and market and competition activity can render the output from development activities as obsolete. The Group seeks to mitigate the risk around development activities by ensuring that development programmes are planned in accordance with recognised industry quality standards, managed by people with the requisite skills. The Company also continues to monitor industry trends and customer needs to ensure its development targets remain relevant.

Donations

The Group made no charitable donations in the year (2012: £Nil) nor any political donations (2012: £Nil).

Auditors

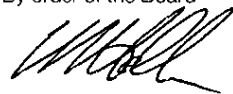
The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 23. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

By order of the Board



Kieron Harbinson
Company Secretary

28 June 2013

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 Group's Chief Executive, Chairman, Executive Directors and Company Secretary. The objective of this policy shall be to ensure that members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Group. No Director or manager shall be involved in any decisions as to their own remuneration.

Remuneration policy

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

Incentive schemes/share option schemes

Andrew Shepherd was issued with an option over 600,000 ordinary shares of the Group, Kieron Harbinson was issued with an option over 300,000 ordinary shares of the Group and Jag Grewal was issued with an option over 200,000 ordinary shares of the Group. All of the options were granted on 5 July 2012 and were under the Company's EMI Share Option Scheme.

Bill Rhodes is entitled to be granted an option over 2,130,406 ordinary shares of the Company at the prevailing market price at the earliest opportunity in accordance with Rule 21 of the AIM Rules. The option will be granted under the Company's third Unapproved Option Scheme.

Directors' service contracts

Andrew Shepherd entered into a service contract with the Group 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 and then further increased to £145,000 per annum from 1 April 2011. The agreement will continue until terminated by either party giving to the other not less than twelve months' notice in writing.

Kieron Harbinson entered into a service contract with the Group on 23 August 2006, under which he was appointed as Finance Director and Company Secretary on an annual salary of £72,500. His salary was increased to £94,500 per annum from 1 April 2009 and then further increased to £115,000 per annum from 1 April 2011. 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 Group 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 Group 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.

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

Bill Rhodes was appointed a Non-executive Director of the Group on 1 May 2013 and is entitled to an annual fee of £40,000. The agreement will continue until terminated by either party giving to the other not less than one month's notice in writing.

Andrew Shepherd, Kieron Harbinson and Geoff Gower received bonuses in the prior year of £13,125, £9,450 and £16,000 respectively. These were non-contractual and calculated at 10%, 10% and 20% of their basic annual salaries at 31 March 2011 based on the financial results achieved for the year ended 31 March 2011.

Directors' emoluments

Consolidated	Fees/basic salary £	Bonuses £	Benefits in kind £	Total 2013 £	Total 2012 £
Executive					
Andrew Shepherd	145,000	—	—	145,000	158,125
Kieron Harbinson	115,000	—	1,506	116,506	125,688
Jag Grewal	110,000	—	—	110,000	82,500
Geoff Gower (resigned 31 March 2012)	—	—	—	—	111,516
Non-executive					
David Evans	25,000	—	—	25,000	25,000
Michael Gurner	20,000	—	—	20,000	20,000

Directors' Remuneration Report continued

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

Directors' pension contributions

	2013 £	2012 £
Andrew Shepherd	7,250	7,250
Kieron Harbinson	5,750	5,750
Jag Grewal	5,500	—
Geoff Gower	—	13,500

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

	31 March 2013	31 March 2012
David Evans	2,870,134	2,870,134
Michael Gurner	271,671	246,671
Kieron Harbinson	294,150	294,150
Andrew Shepherd	2,618,030	1,955,530
Jag Grewal	—	—
Geoff Gower	—	500,000

The Directors have no interest in the shares of subsidiary companies

Directors' share options

	At 1 April 2012	Granted during the year	Lapsed during the year	Exercised during the year	At 31 March 2013	Option price pence	Date of grant	Earliest exercise date	Expiry date
David Evans	390,822	—	—	—	390,822	19.0p	10/12/08	10/12/09	10/12/18
Andrew Shepherd	703,480	—	—	—	703,480	19.0p	10/12/08	10/12/09	10/12/18
	—	600,000	—	—	600,000	14.5p	05/07/12	05/07/15	05/07/22
Kieron Harbinson	468,987	—	—	—	468,987	19.0p	10/12/08	10/12/09	10/12/18
	—	300,000	—	—	300,000	14.5p	05/07/12	05/07/15	05/07/22
Jag Grewal	100,000	—	—	—	100,000	13.25p	12/08/11	12/08/12	12/08/21
	—	200,000	—	—	200,000	14.5p	05/07/12	05/07/15	05/07/22

During the year Andrew Shepherd, Kieron Harbinson and Jag Grewal were issued with options under the Company's EMI Option Scheme

The share price at 31 March 2013 was 13.88 pence. The highest and lowest share price during the year was 18 pence and 10.5 pence respectively

Approved by the Board


Michael Gurner
 Non-executive Director
 28 June 2013

Corporate Governance Report

As an AIM-quoted company the Group is not required to produce a corporate governance report nor comply with the requirements of the UK Corporate Governance 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, two Non-executive Directors, and three Executive Directors, who are the Chief Executive, the Finance Director and the Sales and Marketing Director. David Evans, Non-executive Chairman, and Michael Gurner and Bill Rhodes, both Non-executive Directors, 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. Bill Rhodes was appointed to the Board as a Non-executive Director on 1 May 2013.

During the financial year the Board met on ten occasions. Of the ten meetings David Evans and Jag Grewal attended eight, Michael Gurner attended nine and Andrew Shepherd and Kieron Harbinson attended all ten.

The Chairman has additional non-executive directorships of the following companies:

- Epistem Holdings plc
- Momentum Biosciences Limited
- Scancell Holdings plc
- EKF Diagnostics plc
- Cytex Limited
- Venn Life Sciences plc
- Diagnostic Capital Limited
- Lochglen Whisky Limited
- St Andrews Golf Art Limited
- Horizon Discovery Limited
- Spectrum Limited (Rainbow Seed Fund)
- OptiBiotix Health Limited
- Marine Biotech Limited
- Collbio Limited
- Integrated Magnetic Systems Limited
- Healthcare Opportunity Investments plc

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 Group is properly measured and reported on, and for reviewing reports from the Group's auditors relating to the Group's accounting and financial reporting, in all cases having due regard to the interests of shareholders. The Committee shall also review preliminary results announcements, summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature. Bill Rhodes has been appointed to the Audit Committee and will replace Michael Gurner who is stepping down from the Board on 1 July 2013.

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

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

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

The Remuneration Committee

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

Corporate Governance Report continued

Internal control

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

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

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

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

Communication with shareholders

The Board recognises the importance of communication with its shareholders. The Group maintains informative websites for 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 Group 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 Group's activities and plans.

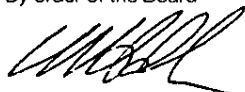
Going concern

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 on pages 4 to 5 and pages 10 to 13 and pages 18 and 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 18 and 19. In addition, Note 22 to the financial statements includes the Group's objectives, policies and processes for its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. The recent renewal of overdraft facilities as well as the successful fundraising of £4 million means that the Group has significant 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 and fully capitalise on the new product opportunities 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
28 June 2013

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 (IFRSs) 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 judgements and estimates that are reasonable

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 Auditors' 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 2013 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 29, 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 on 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 Annual Report and Group Financial Statements 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 2013 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.

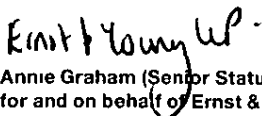
Opinion on other matter prescribed by the Companies Act 2006

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.



Annie Graham (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditors
Glasgow
28 June 2013

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2013

	Note	2013 £	2012 £
Continuing operations			
Revenue	7	11,262,898	11,124,053
Cost of sales		(4,209,905)	(4,120,259)
Gross profit		7,052,993	7,003,794
Administration costs		(4,448,646)	(4,471,381)
Selling and marketing costs		(2,297,702)	(2,015,300)
Operating profit	7	306,645	517,113
Finance costs	5	(32,914)	(48,542)
Finance income – interest receivable	7	2,493	10,856
Profit before taxation		276,224	479,427
Tax credit	6	306,042	47,556
Profit for the year		582,266	526,983
Other comprehensive income			
Exchange differences on translation of foreign operations		26,970	(271,130)
Actuarial (loss)/gain on defined benefit pensions		(50,439)	56,000
Tax credit		7,978	16,585
Other comprehensive income for the year		(15,491)	(198,545)
Total comprehensive income for the year		566,775	328,438
Earnings per share (EPS)			
Basic and diluted EPS on profit for the year	21	0 7p	0 6p

Adjusted Profit Before Taxation

for the year ended 31 March 2013

	2013 £	2012 £
Profit before taxation	276,224	479,427
IFRS-related discount charges (included within Finance costs)	25,046	45,225
Fair value adjustments to financial derivatives (included within Finance costs)	(454)	(2,981)
Amortisation of intangible assets (included within Administration costs)	406,553	415,419
Share-based payment charges (included within Administration costs)	71,193	29,716
Acquisition related costs (included within Administration costs)	—	37,461
Adjusted profit before taxation	778,562	1,004,267
Earnings per share (EPS)		
Adjusted EPS on profit for the year	1 3p	1 2p

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 2013

	Note	2013 £	2012 £
ASSETS			
Non-current assets			
Intangibles	8	10,347,876	9,136,072
Property plant and equipment	9	2,116,286	2,068,509
Deferred taxation	14	553,647	150,332
Retirement benefit surplus	18	31,886	85,639
		13,049,695	11,440,552
Current assets			
Inventories	10	1,833,887	1,689,549
Trade and other receivables	11	2,556,762	2,417,500
Income tax receivable		7,106	4,054
Cash and cash equivalents		160,693	1,159,132
		4,558,448	5,270,235
Total assets		17,608,143	16,710,787
EQUITY AND LIABILITIES			
Equity			
Issued capital		12,977,107	12,977,107
Retained earnings		985,371	347,403
Total equity		13,962,478	13,324,510
Liabilities			
Non-current liabilities			
Long-term borrowings	12	484,472	794,389
Deferred taxation	14	609,395	503,728
Derivative financial instruments	22	—	454
Total non-current liabilities		1,093,867	1,298,571
Current liabilities			
Short-term borrowings	12	367,649	509,811
Trade and other payables	13	1,684,149	1,453,018
Other financial liabilities	19	500,000	124,877
Total current liabilities		2,551,798	2,087,706
Total liabilities		3,645,665	3,386,277
Total equity and liabilities		17,608,143	16,710,787



David Evans
Non-executive Chairman
28 June 2013



Kieron Harbinson
Finance Director
28 June 2013

Consolidated Statement of Changes in Equity

for the year ended 31 March 2013

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2011	4,145,580	8,831,527	(10,751)	12,966,356
Profit for the year ended 31 March 2012	—	—	526,983	526,983
Other comprehensive income – net exchange adjustments	—	—	(271,130)	(271,130)
Other comprehensive income – actuarial gain on defined benefit pensions	—	—	56,000	56,000
Other comprehensive income – tax credit	—	—	16,585	16,585
Total comprehensive income for the year	—	—	328,438	328,438
Share-based payments	—	—	29,716	29,716
Balance at 31 March 2012	4,145,580	8,831,527	347,403	13,324,510
Profit for the year ended 31 March 2013	—	—	582,266	582,266
Other comprehensive income – net exchange adjustments	—	—	26,970	26,970
Other comprehensive income – actuarial loss on defined benefit pensions	—	—	(50,439)	(50,439)
Other comprehensive income – tax credit	—	—	7,978	7,978
Total comprehensive income for the year	—	—	566,775	566,775
Share-based payments	—	—	71,193	71,193
Balance at 31 March 2013	4,145,580	8,831,527	985,371	13,962,478

Consolidated Cash Flow Statement

for the year ended 31 March 2013

	Note	2013 £	2012 £
Cash flows generated from operations			
Profit for the year		582,266	526,983
Adjustments for			
Taxation		(306,042)	(47,556)
Finance costs		32,914	48,542
Finance income		(2,493)	(10,856)
Operating profit before working capital movement		306,645	517,113
Increase in trade and other receivables		(139,262)	(47,799)
Increase in inventories		(144,338)	(186,890)
Increase/(decrease) in trade and other payables		231,132	(37,697)
Loss/(gain) on sale of property, plant and equipment		1,010	(283)
Depreciation	9	268,699	264,710
Amortisation of intangible assets	8	406,553	415,419
Share-based payments		71,193	29,716
Taxation received/(paid)		13,321	(143,306)
Cash flow from operating activities		1,014,953	810,983
Settlement of acquisition related liability		—	(125,000)
Cash flow from operating activities		1,014,953	685,983
Investing activities			
Finance income		2,493	10,856
Purchase of property plant and equipment	9	(308,876)	(454,179)
Purchase of intangible assets		(1,185,133)	(768,968)
Sale of property, plant and equipment		—	13,681
Net cash used in investing activities		(1,491,516)	(1,198,610)
Financing activities			
Finance costs		(6,107)	(12,563)
Loan repayments		(497,377)	(272,832)
Finance lease repayments		(18,759)	(60,030)
Net cash used in financing activities		(522,243)	(345,425)
Net decrease in cash and cash equivalents		(998,806)	(858,052)
Effects of exchange rate movements		367	(37,693)
Cash and cash equivalents at beginning of year		1,159,132	2,054,877
Cash and cash equivalents at end of year		160,693	1,159,132

Company Balance Sheet

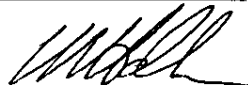
as at March 2013

	Note	2013 £	2012 £
ASSETS			
Non-current assets			
Investments	20	10,928,927	10,774,918
Intangible assets	8	1,506,765	984,663
		12,435,692	11,759,581
Current assets			
Trade and other receivables	11	4,127,911	4,344,833
Cash and cash equivalents		—	18,869
		4,127,911	4,363,702
Total assets		16,563,603	16,123,283
EQUITY AND LIABILITIES			
Equity			
Issued capital		13,966,782	13,966,782
Retained earnings		364,028	232,939
Total equity		14,330,810	14,199,721
Liabilities			
Non-current liabilities			
Long-term borrowings	12	455,608	794,389
Derivative financial instruments	22	—	454
Total non-current liabilities		455,608	794,843
Current liabilities			
Short-term borrowings	12	360,000	496,450
Trade and other payables	13	660,865	507,382
Other financial liabilities	19	500,000	124,887
Bank overdraft		256,320	—
Total current liabilities		1,777,185	1,128,719
Total liabilities		2,232,793	1,923,562
Total equity and liabilities		16,563,603	16,123,283



David Evans
Non-executive Chairman
28 June 2013

Omega Diagnostics Group PLC
Registered number 5017761



Kieron Harbinson
Finance Director
28 June 2013

Company Statement of Changes in Equity

for the year ended 31 March 2013

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2011	4,517,862	9,448,920	292,639	14,259,421
Loss for the year ended 31 March 2012	—	—	(89,416)	(89,416)
Total comprehensive income for the year	—	—	(89,416)	(89,416)
Share-based payments	—	—	29,716	29,716
Balance at 31 March 2012	4,517,862	9,448,920	232,939	14,199,721
Profit for the year ended 31 March 2013	—	—	59,896	59,896
Total comprehensive income for the year	—	—	59,896	59,896
Share-based payments	—	—	71,193	71,193
Balance at 31 March 2013	4,517,862	9,448,920	364,028	14,330,810

Company Cash Flow Statement

for the year ended 31 March 2013

	2013 £	2012 £
Cash flows generated from operations		
Profit/(loss) for the year	59,896	(89,416)
Adjustments for		
Taxation	(13,322)	7,528
Finance costs	27,830	45,338
Finance income	(74,026)	(79,944)
Operating profit/(loss) before working capital movement	378	(116,494)
Decrease in trade and other receivables	216,922	605,150
Increase/(decrease) in trade and other payables	153,483	(182,630)
Taxation received/(paid)	13,321	(112,768)
Share-based payments	71,193	29,716
Net cash flow from operating activities	455,297	222,974
Investing activities		
Finance income	74,026	79,944
Purchase of intangible assets	(152,102)	(435,000)
Investment in subsidiaries	(154,009)	(119,557)
Net cash used in investing activities	(232,085)	(474,613)
Financing activities		
Finance costs	(1,024)	(9,362)
Loan repayments	(497,377)	(272,832)
Net cash used in financing activities	(498,401)	(282,194)
Net decrease in cash and cash equivalents	(275,189)	(533,833)
Cash and cash equivalents at beginning of year	18,869	552,702
(Overdraft)/cash and cash equivalents at end of year	(256,320)	18,869

Notes to the Financial Statements

for the year ended 31 March 2013

1 Authorisation of financial statements

The financial statements of Omega Diagnostics Group PLC for the year ended 31 March 2013 were authorised for issue by the Board of Directors on 28 June 2013, 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 AIM.

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements. These financial statements are presented in sterling and have been prepared in accordance with 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. The Group reports performance of the following three segments:

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Omega Diagnostics Group PLC and the entities it controls (its subsidiaries). Control 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 a charge is made to the income statement. After initial recognition, goodwill is stated at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level 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
Software	–	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 and initial feasibility work is written off through the income statement as incurred. Thereafter, expenditure on product development which meets certain criteria is capitalised and amortised over its useful life. The stage at which it is probable that the product will generate future economic benefits is when the following criteria have been met: technical feasibility, intention and ability to sell the product, availability of resources to complete the development of the product, and the ability to measure the expenditure attributable to the product. The useful life of the intangible asset is determined on a product-by-product basis, taking into consideration a number of factors. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 Accounting policies continued**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:

Land and property	- 33 years, straight line with no residual value
Leasehold improvements	- 10 years, straight line with no residual value
Plant and machinery	- 8 to 10 years, straight line with no residual value
Motor vehicles	- 5 years, straight line with no residual value

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

Impairment of assets

The Group and Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group and Company 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 IAS 39 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, or
- 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 twelve 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, or
- other liabilities

Notes to the Financial Statements continued

for the year ended 31 March 2013

2 Accounting policies continued

Financial instruments continued

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 subsidiaries are translated at the average exchange rate ruling during the year, with the exchange difference between the average rates and the rates ruling at the balance sheet date being taken to reserves. Any difference arising on the translation of the opening net investment in the overseas subsidiaries, 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.

2 Accounting policies continued**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.

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 overleaf. Further judgements, assumptions and estimates are set out in the Group financial statements.

Notes to the Financial Statements continued

for the year ended 31 March 2013

2 Accounting policies continued

Use of estimates and judgements continued

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 8.

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 2013 is £553,647 (2012: £150,332). Further details are contained in Note 14.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations, which are considered relevant to the Group, with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)		Effective date
IAS 19	Employee Benefits (Amendment)	1 January 2013
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 13	Fair Value Measurement	1 January 2013

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. 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.

4 Segment information

For management purposes the Group is organised into three operating divisions: Allergy and Autoimmune, Food Intolerance, and Infectious Disease 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 Disease 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.

4 Segment information continued
Business segment information

2013	Allergy and Autoimmune £	Food Intolerance £	Infectious Disease/ other £	Corporate £	Group £
Statutory presentation					
Revenue	4,254,313	5,222,919	2,869,053	—	12,346,285
Inter-segment revenue	(93,304)	(833,232)	(156,851)	—	(1,083,387)
Total revenue	4,161,009	4,389,687	2,712,202	—	11,262,898
Operating costs	(4,391,981)	(3,258,964)	(2,559,475)	(745,833)	(10,956,253)
Operating profit/(loss)	(230,972)	1,130,723	152,727	(745,833)	306,645
Net finance (costs)/income	(72,362)	513	(4,868)	46,296	(30,421)
Profit/(loss) before taxation	(303,334)	1,131,236	147,859	(699,537)	276,224
Adjusted profit before taxation					
Profit/(loss) before taxation	(303,334)	1,131,236	147,859	(699,537)	276,224
IFRS-related discount charges	—	—	—	25,046	25,046
Fair value adjustments to financial derivatives	—	—	—	(454)	(454)
Amortisation of intangible assets	282,412	98,866	25,275	—	406,553
Share-based payment charges	—	—	—	71,193	71,193
Adjusted profit/(loss) before taxation	(20,922)	1,230,102	173,134	(603,752)	778,562

2012	Allergy and Autoimmune £	Food Intolerance £	Infectious Disease/ other £	Corporate £	Group £
Statutory presentation					
Revenue	4,488,210	4,456,689	2,762,572	—	11,707,471
Inter-segment revenue	(11,436)	(555,984)	(15,998)	—	(583,418)
Total revenue	4,476,774	3,900,705	2,746,574	—	11,124,053
Operating costs	(4,616,762)	(2,863,458)	(2,450,586)	(676,134)	(10,606,940)
Operating profit/(loss)	(139,988)	1,037,247	295,988	(676,134)	517,113
Net finance (costs)/income	(72,095)	(197)	—	34,606	(37,686)
Profit/(loss) before taxation	(212,083)	1,037,050	295,988	(641,528)	479,427
Adjusted profit before taxation					
Profit/(loss) before taxation	(212,083)	1,037,050	295,988	(641,528)	479,427
IFRS-related discount charges	12,344	—	—	32,881	45,225
Fair value adjustments to financial derivatives	—	—	—	(2,981)	(2,981)
Amortisation of intangible assets	296,667	98,748	20,004	—	415,419
Acquisition costs	37,461	—	—	—	37,461
Share-based payment charges	—	—	—	29,716	29,716
Adjusted profit/(loss) before taxation	134,389	1,135,798	315,992	(581,912)	1,004,267

The segment assets and liabilities are as follows

2013	Allergy and Autoimmune £	Food Intolerance £	Infectious Disease/ other £	Corporate £	Group £
Segment assets	9,019,799	5,551,814	2,298,462	16,622	16,886,697
Unallocated assets	—	—	—	—	721,446
Total assets	9,019,799	5,551,814	2,298,462	16,622	17,608,143
Segment liabilities	337,982	355,997	849,050	141,121	1,684,150
Unallocated liabilities	—	—	—	—	1,961,515
Total liabilities	337,982	355,997	849,050	141,121	3,645,665

Notes to the Financial Statements continued

for the year ended 31 March 2013

4 Segment information continued

Business segment information continued

2012	Allergy and Autoimmune £	Food Intolerance £	Infectious Disease/ other £	Corporate £	Group £
Segment assets	7,784,700	5,800,726	1,791,682	20,161	15,397,269
Unallocated assets	—	—	—	—	1,313,518
Total assets	7,784,700	5,800,726	1,791,682	20,161	16,710,787
Segment liabilities	259,121	306,478	618,849	268,570	1,453,018
Unallocated liabilities	—	—	—	—	1,933,259
Total liabilities	259,121	306,478	618,849	268,570	3,386,277

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.

	2013 £	2012 £
Revenues		
UK	991,513	933,164
Germany	3,654,701	3,875,905
Rest of Europe	2,752,442	2,604,134
North America	348,984	327,505
South/Central America	511,968	441,347
India	399,775	401,799
Asia and Far East	1,041,788	913,494
Africa and Middle East	1,561,727	1,626,705
	11,262,898	11,124,053

2013	Intangibles £	Property, plant and equipment £	Retirement benefit surplus £	Inventories £	Trade and other receivables £	Total £
Assets						
UK	7,443,646	995,942	—	899,494	2,073,849	11,412,931
Germany	2,900,341	1,090,479	31,886	849,865	381,648	5,254,219
India	3,889	29,865	—	84,528	101,265	219,547
Unallocated assets	—	—	—	—	—	721,446
Total assets	10,347,876	2,116,286	31,886	1,833,887	2,556,762	17,608,143

2012	Intangibles £	Property, plant and equipment £	Retirement benefit surplus £	Inventories £	Trade and other receivables £	Total £
Assets						
UK	6,142,429	867,105	—	852,810	2,071,704	9,934,048
Germany	2,990,422	1,174,008	85,639	836,739	339,591	5,426,399
India	3,221	27,396	—	—	6,205	36,822
Unallocated assets	—	—	—	—	—	1,313,518
Total assets	9,136,072	2,068,509	85,639	1,689,549	2,417,500	16,710,787

4 Segment information continued
Geographical information continued

	2013 £	2012 £
Liabilities		
UK	1,365,434	1,234,205
Germany	256,346	328,379
India	62,370	15,311
Unallocated liabilities	1,961,515	1,808,382
Total liabilities	3,645,665	3,386,277
Capital expenditure		
UK	256,568	310,208
Germany	42,318	113,638
India	9,990	30,333
Total capital expenditure	308,876	454,179

5 Finance costs

Consolidated	2013 £	2012 £
Interest payable on loans and bank overdrafts	6,471	14,862
Exchange difference on loans	927	577
Unwinding of discounts	21,732	32,880
Fair value adjustment to financial derivatives	(454)	(2,981)
Finance leases	4,238	3,204
	32,914	48,542

6 Taxation

Consolidated	2013 £	2012 £
(a) Tax credited in the income statement		
Current tax – current year	–	–
Current tax – prior year adjustment	16,373	(18,158)
Deferred tax – current year	163,462	66,583
Deferred tax – prior year adjustment	126,207	(869)
	306,042	47,556
(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax on actuarial loss/(gain) on retirement benefit obligations	12,900	(21,393)
Deferred tax on net exchange adjustments	(4,922)	37,978
Total tax credit	7,978	16,585

Consolidated	2013 £	2012 £
(c) Reconciliation of total tax credit		
Factors affecting the tax charge for the year		
Profit before tax	276,224	479,427
Effective rate of taxation	24%	26%
Profit before tax multiplied by the effective rate of tax	66,294	124,651
Effects of		
Expenses not deductible for tax purposes and permanent differences	21,423	6,815
Research and development tax credits	(227,422)	(151,954)
Tax (over)/under-provided in prior years	(142,580)	19,027
Adjustment due to different overseas tax rate	(9,372)	(1,015)
Impact of UK rate change on deferred tax	(14,385)	(45,080)
Tax credit for the year	(306,042)	(47,556)

In his Budget speech on 20 March 2013, the Chancellor announced that the main UK corporation tax rate would be reduced from the current rate of 24% to 20% by 2015. The rate of corporation tax reduced from 28% to 26% on 1 April 2011 and a reduction to 24% effective from 1 April 2012, was included in the Finance Bill that was enacted on 17 July 2012. A further reduction in the corporation tax rate to 23% effective from 1 April 2013, was also included in the Finance Bill.

As the reduction in the rate to 23% was enacted at the balance sheet date, this is the rate at which deferred tax has been provided. The further rate reductions are to be incorporated within future legislative acts and so will not be substantively enacted until later periods. The estimated impact of the proposed further rate reduction to 20% would be to reduce the deferred tax liability by £7,272.

Notes to the Financial Statements continued

for the year ended 31 March 2013

7 Revenue and expenses

Consolidated	2013 £	2012 £
Revenues		
Revenue – sales of goods	11,262,898	11,124,053
Finance income	2,493	10,856
Total revenue	11,265,391	11,134,909

Consolidated	2013 £	2012 £
Operating profit is stated after charging/crediting		
Material costs	3,053,462	2,978,393
Depreciation	268,699	264,710
Amortisation of intangibles	406,553	415,419
Net foreign exchange (gains)/losses	(4,863)	21,722
Research and development costs	140,810	486,584
Operating lease rentals	249,931	193,822
Share-based payments	71,193	29,716
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the annual accounts	20,000	23,300
– Local statutory audit of subsidiaries	50,000	50,000
– Local statutory audit of the parent Company	5,000	5,000
Fees payable to the Company's auditors for other services		
– Taxation	14,500	14,550

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

Staff costs

The average monthly number of employees (including Directors) was

Consolidated	2013 number	2012 number
Operations	74	70
Management and administration	52	37
Employee numbers	126	107

Their aggregate remuneration comprised

	2013 £	2012 £
Wages and salaries	3,967,856	3,647,364
Social security costs	490,079	477,883
Pension costs	238,344	207,620
Share-based payments	71,193	29,716
	4,767,472	4,362,583

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.

7 Revenue and expenses continued**Equity-settled share-based payments** continued

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 135,000 options lapsed during the year and a further 1,450,000 were granted.

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

	2013 number	2013 WAEP	2012 number	2012 WAEP
Outstanding 1 April	2,283,289	19 0p	1,923,289	19 0p
Granted during the year under the EMI Option Scheme	1,450,000	14 5p	450,000	12 6p
Granted during the year under the SUOS	—	—	—	—
Exercised during the year	—	—	—	—
Lapsed during the year under the EMI Option Scheme	(135,000)	—	(90,000)	—
Outstanding at 31 March	3,598,289	—	2,283,289	—
Exercisable at 31 March	2,148,289	—	1,833,289	—

The following table lists the inputs to the model used for the years ended 31 March 2013 and 31 March 2012.

	EMI Option Scheme and Unapproved Option Scheme	
	2013	2012
Dividend yield	0%	0%
Expected volatility	47%	52%
Risk-free interest rate	5 00%	3 42%
Weighted average remaining contractual life	7 4	6 7
Weighted average share price	14 5p	12 6p
Exercise price	14 5p	12 6p
Model used	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	2013 £	2012 £
Fees	45,000	45,000
Emoluments	371,506	477,829
	416,506	522,829
Contributions to personal pension	18,500	26,500
	435,006	549,329
Members of a defined contribution pension scheme at the year end	3	3

Information in respect of individual Directors' emoluments is provided in the Directors' Remuneration Report on pages 25 and 26.

Notes to the Financial Statements continued

for the year ended 31 March 2013

8 Intangibles

	Goodwill £	Licences/ software £	Supply arrangements £	Technology assets £	Customer relationships £	Development costs £	Total £
Cost							
At 31 March 2011	4,745,302	1,113,492	549,248	2,147,521	1,280,349	—	9,835,912
Additions	—	26,424	—	8,338	—	—	34,762
Additions internally generated	—	—	—	—	—	299,206	299,206
Currency translation	(72,361)	(3,500)	(27,334)	(9,054)	(60,409)	(400)	(173,058)
At 31 March 2012	4,672,941	1,136,416	521,914	2,146,805	1,219,940	298,806	9,996,822
Additions	—	570,582	—	—	—	—	570,582
Additions internally generated	—	—	—	—	—	1,026,464	1,026,464
Currency translation	11,837	1,925	4,669	1,538	10,018	4,480	34,467
At 31 March 2013	4,684,778	1,708,923	526,583	2,148,343	1,229,958	1,329,750	11,628,335
Accumulated amortisation							
At 31 March 2011	—	9,989	27,438	362,473	59,441	—	459,341
Amortisation charge in the year	—	37,528	108,243	132,753	136,895	—	415,419
Currency translation	—	(1,570)	(5,202)	(1,634)	(5,604)	—	(14,010)
At 31 March 2012	—	45,947	130,479	493,592	190,732	—	860,750
Amortisation charge in the year	—	44,948	101,739	130,710	129,156	—	406,553
Currency translation	—	1,824	4,745	1,490	5,097	—	13,156
At 31 March 2013	—	92,719	236,963	625,792	324,985	—	1,280,459
Net book value							
31 March 2013	4,684,778	1,616,204	289,620	1,522,551	904,973	1,329,750	10,347,876
31 March 2012	4,672,941	1,090,469	391,435	1,653,213	1,029,208	298,806	9,136,072
31 March 2011	4,745,302	1,103,503	521,810	1,785,048	1,220,908	—	9,376,571

Of the licenses/software balance above, £1,506,765 (2012 984,663) is held on the balance sheet of the Company and relates to the IDS and CD4 licenses. Additional costs of £522,102 were capitalised in the year in relation to these licenses.

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 (2012 £3,016,892), Co-Tek £332,986 (2012 £332,986) and Omega GmbH £1,334,900 (2012 £1,323,063).

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 actual results for the year ended 31 March 2013 and the financial budget approved by the Board covering the period to 31 March 2014, with projected cash flows thereafter through to March 2017 based on a growth rate of 3% 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 Genarray[®] 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 IDS iSYS platform 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 3% 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 £4.7 million above carrying value for Genesis-CNS, headroom of £410,000 above carrying value for Co-Tek and headroom of £800,000 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 3% to 1% this would have the effect of reducing the headroom in Genesis-CNS by £191,000 over five years, in Co-Tek by £29,000 over five years and in Omega GmbH by £45,000 over five years.

For Genesis-CNS, the discount rate would have to increase to 48% or the growth rate would have to be a decline of 81% for the headroom to reduce to £Nil.

For Co-Tek, the discount rate would have to increase to 55% or the growth rate would have to be a decline of 37% for the headroom to reduce to £Nil.

For Omega GmbH, the discount rate would have to increase to 22% or the growth rate would have to be a decline of 44% for the headroom to reduce to £Nil.

9 Property, plant and equipment

Consolidated	Land and property £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 31 March 2011	713,332	181,625	2,169,420	75,411	3,139,788
Additions	10,281	40,953	402,945	—	454,179
Disposals	—	—	(38,585)	(22,438)	(61,023)
Currency translation	(35,800)	(696)	(28,475)	(3,764)	(68,735)
At 31 March 2012	687,813	221,882	2,505,305	49,209	3,464,209
Additions	—	19,958	288,918	—	308,876
Disposals	—	—	(4,907)	—	(4,907)
Currency translation	6,152	85	8,394	441	15,072
At 31 March 2013	693,965	241,925	2,797,710	49,650	3,783,250
Accumulated depreciation					
At 31 March 2011	4,877	95,783	1,078,356	6,288	1,185,304
Charge in the year	19,513	23,055	202,253	19,889	264,710
Disposals	—	—	(38,476)	(9,199)	(47,675)
Currency translation	(940)	(109)	(4,446)	(1,144)	(6,639)
At 31 March 2012	23,450	118,729	1,237,687	15,834	1,395,700
Charge in the year	18,348	27,605	212,818	9,928	268,699
Disposals	—	—	(3,897)	—	(3,897)
Currency translation	853	282	4,837	490	6,462
At 31 March 2013	42,651	146,616	1,451,445	26,252	1,666,964
Net book value					
31 March 2013	651,314	95,309	1,346,265	23,398	2,116,286
31 March 2012	664,363	103,153	1,267,618	33,375	2,068,509
31 March 2011	708,455	85,842	1,091,064	69,123	1,954,484

The net book value of plant and machinery held under finance leases at 31 March 2013 is £24,636 (2012 £38,073)

10 Inventories

	2013 £	2012 £
Raw materials	993,354	896,810
Work in progress	121,667	139,803
Finished goods and goods for resale	718,866	652,936
	1,833,887	1,689,549

11 Trade and other receivables

Consolidated	2013 £	2012 £
Trade receivables	2,309,765	2,237,309
Less provision for impairment of receivables	(14,117)	(14,117)
Trade receivables – net	2,295,648	2,223,192
Prepayments and other receivables	261,114	194,308
	2,556,762	2,417,500

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

Company	2013 £	2012 £
Prepayments and other receivables	16,622	20,160
Due from subsidiary companies	4,111,289	4,324,673
	4,127,911	4,344,833

Notes to the Financial Statements continued

for the year ended 31 March 2013

11 Trade and other receivables continued

Analysis of trade receivables

Consolidated	2013 £	2012 £
Neither impaired nor past due	1,857,402	1,543,940
Past due but not impaired	438,246	679,252

Company	2013 £	2012 £
Neither impaired nor past due	4,111,289	4,324,673

Ageing of past due but not impaired trade receivables

	2013 £	2012 £
Up to three months	295,148	503,826
Between three and six months	32,329	103,578
More than six months	110,769	71,848

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.

12 Interest-bearing loans and borrowings and financial instruments

Consolidated	2013 £	2012 £
Current		
Bank loans	—	136,450
Other loans	360,000	360,000
Obligations under finance leases	7,649	13,361
	367,649	509,811
Non-current		
Obligations under finance leases	28,864	—
Other loans	455,608	794,389
	484,472	794,389

Bank loans comprised the following

£136,450 variable rate loans 2013 (base rate + 2.0%) (2012: base rate + 2.0%)	—	136,450
	—	136,450
Less current instalments	—	(136,450)
	—	—

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:

	2013 £	2012 £
Future minimum payments due		
Not later than one year	10,007	13,667
After one year but not more than five years	32,524	—
	42,531	13,667
Less finance charges allocated to future periods	6,018	306
Present value of minimum lease payments	36,513	13,361
The present value of minimum lease payments is analysed as follows		
Not later than one year	7,649	13,361
After one year but not more than five years	28,864	—
	36,513	13,361

12 Interest-bearing loans and borrowings and financial instruments continued

Consolidated	2013 £	2012 £
Other loans comprise the following		
Vendor loan – 2014 (base rate)	815,608	1,154,389
	815,608	1,154,389

The two Bank of Scotland term loans were repaid in full on 4 September 2012

The term loans were 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. Kieron Harbinson and Andrew Shepherd also provided personal guarantees of £100,000 in support of the term loans. The security above remains in place against the £1.7 million bank overdraft currently available to the Group.

Company	2013 £	2012 £
Current		
Bank loans	–	136,450
Other loans	360,000	360,000
	360,000	496,450
Non-current		
Other loans	455,608	794,389
Bank loans comprised the following		
£136,450 variable rate loan 2013 (base rate + 2.0%) (2012 base rate + 2.0%)	–	136,450
	–	136,450
Less current instalments	–	(136,450)
	–	–

Company	2013 £	2012 £
Other loans comprise the following		
Vendor loan – 2014 (base rate)	815,608	1,154,389
	815,608	1,154,389

13 Trade and other payables

Consolidated	2013 £	2012 £
Trade payables	1,231,405	962,115
Social security costs	135,292	101,118
Accruals and other payables	317,452	389,785
	1,684,149	1,453,018

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	2013 £	2012 £
Trade payables	42,527	47,428
Accruals and other payables	98,594	96,255
Due to subsidiary companies	519,744	363,699
	660,865	507,382

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.

Notes to the Financial Statements continued

for the year ended 31 March 2013

14 Deferred taxation

The deferred tax asset is made up as follows

Consolidated	2013 £	2012 £
Decelerated capital allowances	2,676	32,107
Temporary differences	46,261	9,287
Tax losses carried forward	504,710	108,938
	553,647	150,332

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	2013 £	2012 £
Fair value adjustments on acquisition	400,163	446,062
Accelerated capital allowances	49,684	36,273
Other timing differences	151,056	—
Retirement benefit obligations	8,492	21,393
	609,395	503,728

15 Share capital

Company	2013 number	2012 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 ordinary share capital		
At the beginning of the year	85,216,257	85,216,257
Issued during the year	—	—
At the end of the year	85,216,257	85,216,257

During the year to 31 March 2013, the Company granted options over 1,450,000 ordinary shares at an exercise price of 14.5 pence per share. The options will expire if not exercised within ten years of the date of grant.

16 Commitments and contingencies

Operating lease commitments

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

Consolidated	2013 £	2012 £
Land and buildings		
Within one year	232,124	175,119
Within two to five years	828,157	399,456
Other		
Within one year	17,777	18,703
Within two to five years	21,668	30,150

Land and buildings leases in force for Omega Diagnostics Limited premises extend to 30 June 2021. The land and buildings leases in force for the premises of Genesis Diagnostics Limited and Cambridge Nutritional Sciences extend to March 2017.

Other leases are in force for office equipment items and extend to time periods ranging from December 2013 to June 2021. The leases may be extended at the expiry of their term.

Performance bonds

The Group has performance bonds and guarantees in place amounting to £34,610 at 31 March 2013 (2012: £30,000).

17 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

	2013 £	2012 £
Short-term employee benefits	912,875	885,439
Share-based payments	45,934	8,020
Post-employment benefits	40,375	31,679
	999,184	925,138

Included within short-term employee benefits are amounts paid to MBA Consultancy of £25,000 (2012 £25,000), a company controlled by David Evans, and £20,000 (2012 £20,000) to Holdmer Associates Limited, a company controlled by Michael Gurner

Other related party transactions

During the year there have been transactions between the parent Company, Omega Diagnostics Limited (ODL), Genesis Diagnostics Limited (Genesis), Cambridge Nutritional Sciences (CNS), Co-Tek (South West) Limited (Co-Tek), Omega GmbH (GmbH) and Omega Dx (Asia) largely relating to payment of fees. The amounts outstanding at the year end are as follows

At 31 March 2013	ODG £	ODL £	Genesis £	CNS £	Co-Tek £	GmbH £	Dx (Asia) £
Omega Diagnostics Group PLC	—	(1,362,530)	194,167	325,577	—	(2,748,759)	—
Omega Diagnostics Limited	1,362,530	—	131,508	240,498	15,424	—	(59,727)
Genesis Diagnostics Limited	(194,167)	(131,508)	—	(183,891)	(20,391)	—	(69,778)
Cambridge Nutritional Sciences Limited	(325,577)	(240,498)	183,891	—	—	—	(6,054)
Co-Tek (South West) Limited	—	(15,424)	20,391	—	—	—	—
Omega GmbH	2,748,759	—	—	—	—	—	(18,132)
Omega Dx (Asia)	—	59,727	69,778	6,054	—	18,132	—

At 31 March 2012	ODG £	ODL £	Genesis £	CNS £	Co Tek £	GmbH £
Omega Diagnostics Group PLC	—	(1,466,926)	53,087	310,612	—	(2,857,747)
Omega Diagnostics Limited	1,466,926	—	(319,849)	(142,722)	—	—
Genesis Diagnostics Limited	(53,087)	319,849	—	(66,098)	—	—
Cambridge Nutritional Sciences Limited	(310,612)	142,722	66,098	—	—	—
Co-Tek (South West) Limited	—	—	—	—	—	—
Omega GmbH	2,857,747	—	—	—	—	—

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

	2013 £	2012 £
Balance at 1 April	3,960,974	4,451,600
Charges to subsidiary companies	722,300	712,536
Transfers of cash from subsidiary companies	(1,091,729)	(1,203,162)
Balance at 31 March 2013	3,591,545	3,960,974

Note 12 discloses personal guarantees made by two of the Directors in support of the bank term loan

18 Retirement benefit obligations

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

Details of the defined contribution schemes for the Group's employees are given below in Note (a). Details of the defined benefit 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 IAS 19 – 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. For new hires in Germany, post 1 January 2011, the support fund (LV 1871 Unterstützungskasse eV) is the defined contribution scheme used. The total Group contributions for the year amounted to £62,775 (2012 £57,713)

Notes to the Financial Statements continued

for the year ended 31 March 2013

18 Retirement benefit obligations continued

b) Defined benefit schemes

The Deutscher Pensionsfonds AG and the LV 1871 Unterstützungskasse e V schemes give the rights to defined future benefits. Of these benefits the past service component is based on years of service and salary as of 1 January 2011 and are provided by the Deutscher Pensionsfonds AG. The remaining benefits based on years of service after 1 January 2011 as well as salary increases are provided by the LV 1871 Unterstützungskasse e V scheme. 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 IAS 19 – Employee Benefits. Formal valuations of each scheme have been carried out by Towers Watson (Reutlingen) GmbH, who are independent, professionally qualified actuaries, on 2 May 2013 using the following assumptions:

	2013	2012
Discount rate at 31 March	3.82%	5.00%
Expected return on plan assets at 31 March	3.00%	4.20%
Future salary increases	2.50%	2.50%
Future pension increases	1.75%	1.75%
Turnover rate	2.00%	2.00%

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

	2013 £	2012 £
Present value of funded obligations	1,664,439	1,358,452
Fair value of plan assets	1,696,325	1,444,091
Net asset	31,886	85,639

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

	2013 £	2012 £
Current service costs	162,569	150,513
Interest on obligation	68,530	61,456
Expected return on plan assets	(64,450)	(51,769)
Total included in employee benefits expense	166,649	160,200

The current service costs for the year, £166,649 (2012: £160,200), have been included in administration costs.

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

	2013 £	2012 £
Actuarial losses on defined benefit obligation	(64,211)	(29,087)
Actuarial gains on plan assets	13,772	85,087
Total actuarial (loss)/gain on pensions	(50,439)	56,000

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

	2013 £	2012 £
Opening defined benefit obligation	1,358,452	1,174,883
Current service cost	162,569	150,513
Interest cost	68,530	61,456
Actuarial losses on plan liabilities	64,211	29,087
Exchange differences on foreign plans	10,677	(57,487)
Benefits paid	—	—
Closing defined benefit obligation	1,664,439	1,358,452

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

	2013 £	2012 £
Opening fair value of plan assets	1,444,091	1,216,867
Expected return	64,450	51,769
Actuarial gains	13,772	85,087
Contributions by employer	162,569	149,907
Exchange differences on foreign plans	11,443	(59,539)
Benefits paid	—	—
Closing fair value of plan assets	1,696,325	1,444,091

18 Retirement benefit obligations continued**b) Defined benefit schemes** continued

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

	2013	2012
Equities	15%	18%
Bonds/debt instruments	68%	71%
Cash/other	17%	11%

The asset figures above are now weighted with the underlying assets

The Group expects to contribute £165 000 to its defined benefit pension plans in the year ending 31 March 2014

(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 Richttafel'n's basis of calculation for group pension insurance, 2005G. Other assumptions have been set in accordance with Heubeck Richttafel'n's basis of calculation for group pension insurance, as set out in schedule 2005G

(viii) History of experience adjustments

	2013 £	2012 £
Defined benefit obligation	1,664,439	1,358,452
Plan assets	1,696,325	1,444,091
Surplus	31,886	85,639
Experience adjustments gains on plan liabilities	(230,708)	(105,486)
Experience adjustments gains on plan assets	(13,772)	(85,087)

IAS 19 (Revised) – Employee Benefits will become effective for the Group in the March 2014 accounts. Under IAS 19 (Revised), there will be no impact on the net defined benefit liability. The net charge to next year's income statement will increase by approximately £6 300 following the introduction of the concept of recognising net interest on the net defined benefit liability in place of the interest on the defined benefit obligation and the expected return on plan assets recognised under the current standard. This increase in the net charge to next year's income statement would be offset by a decrease in the charge to other comprehensive income.

19 Other financial liabilities

Consolidated and Company	2013 £
As at 1 April 2012	124,887
Discount unwind in year	5,113
Payment in year to IDS	(130,000)
Final instalment payable in March 2014	500,000
As at 31 March 2013	500,000

At 31 March 2012 other financial liabilities comprised unconditional future commitments under the licence agreement with IDS. At 31 March 2013 the liability relates to a final payment due to IDS under the licence agreement and is payable on 28 March 2014 and is recorded on the balance sheet now that the Group has no intention of exercising its break clause under the agreement.

20 Investments**Company**

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

	Country of incorporation	2013 £	2012 £
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	2,542,321
Investment in Omega Dx (Asia)	India	273,566	119,557
		10,928,927	10,774,918

The further investment in the year relates to continued funding of Omega Dx (Asia)

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

Notes to the Financial Statements continued

for the year ended 31 March 2013

21 Earnings per share

Basic earnings per share is 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 is 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

	2013 £	2012 £
Profit attributable to equity holders of the Group	582,266	526,983
	2013 number	2012 number
Basic average number of shares	85,216,257	85,216,257
Share options	52,703	22,489
Diluted weighted average number of shares	85,268,960	85,238,746

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 adding the tax credit or deducting the tax charge in order to allow shareholders to understand better the elements of financial performance in the year so as to facilitate comparison with prior periods and to better assess trends in financial performance

	2013 £	2012 £
Adjusted profit before taxation	778,562	1,004,267
Tax credit	306,042	47,556
Adjusted profit attributable to equity holders of the Group	1,084,604	1,051,823

22 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	Loans and receivables £	Total £
2013		
Trade receivables	2,295,648	2,295,648
Cash and cash equivalents	160,693	160,693
	2,456,341	2,456,341

Assets as per the consolidated balance sheet	Loans and receivables £	Total £
2012		
Trade receivables	2,223,192	2,223,192
Cash and cash equivalents	1,159,132	1,159,132
	3,382,324	3,382,324

22 Financial instruments continued

Assets as per the Company balance sheet	Loans and receivables £	Total £
2013		
Due from subsidiary companies	4,111,289	4,111,289
Cash and cash equivalents	—	—
	4,111,289	4,111,289

Assets as per the Company balance sheet	Loans and receivables £	Total £
2012		
Due from subsidiary companies	4,324,673	4,324,673
Cash and cash equivalents	18,869	18,869
	4,343,542	4,343,542

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2013			
Trade payables	—	1,231,405	1,231,405
Obligations under finance leases	—	36,515	36,515
Other loans (designated on initial recognition)	815,608	—	815,608
Other financial liabilities	—	500,000	500,000
	815,608	1,767,920	2,583,528

Liabilities as per the consolidated balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2012			
Derivative financial instruments (held for trading)	454	—	454
Trade payables	—	962,115	962,115
Obligations under finance leases	—	13,361	13,361
Bank loans	—	136,450	136,450
Other loans (designated on initial recognition)	1,154,389	—	1,154,389
Other financial liabilities	—	124,887	124,887
	1,154,843	1,236,813	2,391,656

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2013			
Trade payables and amounts due to subsidiary companies	—	562,271	562,271
Other loans (designated upon initial recognition)	815,608	—	815,608
Other financial liabilities	—	500,000	500,000
	815,608	1,062,271	1,877,879

Liabilities as per the Company balance sheet	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
2012			
Derivative financial instruments (held for trading)	454	—	454
Trade payables and amounts due to subsidiary companies	—	411,127	411,127
Bank loans	—	136,450	136,450
Other loans (designated upon initial recognition)	1,154,389	—	1,154,389
Other financial liabilities	—	124,887	124,887
	1,154,843	672,464	1,827,307

Notes to the Financial Statements continued

for the year ended 31 March 2013

22 Financial instruments continued

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 of £360,000 in September 2012, 2013 and 2014 and a final capital payment of £20k in September 2015. 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 £338,781 (2012: £28,154) is due to the first instalment being paid in September 2012 (£360,000) offset by the effect of unwinding discount factors (£21,219) which 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 subsidiaries from euros and rupees into its functional currency of pounds sterling. The Company funds its subsidiaries by a mixture of equity and intercompany loan financing and these balances are subject to exchange rate movements that can give rise to movements in equity. The Group also buys and sells goods and services in currencies other than the functional currency, principally in euros and US dollars. The Group has US dollar and euro-denominated bank accounts and, where possible, the Group will offset currency exposure where purchases and sales of goods and services can be made in these currencies. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is currently Group policy not to engage in any speculative transaction of any kind but this will be monitored by the Board to determine whether it is appropriate to use additional currency management procedures to manage risk. At 31 March 2013 (and 31 March 2012) the Group has not entered into any hedge transactions.

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

	Decrease in currency rate	Effect on profit before tax £	Effect on equity £
2013			
Trade and other receivables	5%	61,271	—
Trade and other payables	5%	(28,400)	—
Cash and cash equivalents	5%	13,002	—
Bank loans	5%	—	—
Net investment in overseas subsidiary	5%	—	75,310
2012			
Trade and other receivables	5%	52,924	—
Trade and other payables	5%	(30,360)	—
Cash and cash equivalents	5%	16,589	—
Bank loans	5%	(4,024)	—
Net investment in overseas subsidiary	5%	—	98,112

An increase in currency rate of 5% would have a similar but 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. Creditworthiness checks are undertaken before entering into contracts with new customers, and credit limits are set as appropriate. The Group conducts most of its operations through distributors and is therefore able to maintain a fairly close relationship with its immediate customers. As such, the Group monitors payment profiles of customers on a regular basis and is able to spot deteriorations in payment times. An allowance for impairment is made that represents the potential loss in respect of individual receivables where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An analysis of trade receivables from various regions is analysed in the following table.

	2013 Trade receivables £	2012 Trade receivables £
UK/Europe	1,368,012	1,238,068
North America	94,783	72,395
South/Central America	110,354	103,192
Asia and Far East	302,678	320,735
Africa and Middle East	419,821	488,802
	2,295,648	2,223,192

22 Financial instruments continued**Financial risk management** continued**Capital management**

An explanation of the Group's capital management process and objectives is set out in the Capital management section on page 19 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 2013 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 £
2013				
Trade payables	1,231,405	—	—	1,231,405
Obligations under finance leases	2,502	7,505	32,524	42,531
Vendor loan	—	360,000	480,318	840,318
	1,233,907	367,505	512,842	2,114,254
2012				
Trade payables	962,115	—	—	962,115
Obligations under finance leases	6,614	7,053	—	13,667
Bank loans	68,779	68,271	—	137,050
Vendor loan	—	360,000	840,168	1,200,168
	1,037,508	435,324	840,168	2,313,000

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2013 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 £
2013				
Trade payables and amounts due to subsidiary companies	562,271	—	—	562,271
Vendor loan	—	360,000	480,318	840,318
	562,271	360,000	480,318	1,402,589
2012				
Trade payables and amounts due to subsidiary companies	411,127	—	—	411,127
Bank loans	68,779	68,271	—	137,050
Vendor loan	—	360,000	840,168	1,200,168
	479,906	428,271	840,168	1,748,345

Interest rate risk

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

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

Consolidated	Increase in basis points	Effect on profit before tax and equity £
2013		
Cash and cash equivalents	25	1,650
Vendor loan	25	(2,300)
2012		
Cash and cash equivalents	25	4,018
Bank loans – pounds sterling	25	(300)
Bank loans – US dollars	25	(382)
Vendor loan	25	(2,750)

Notes to the Financial Statements continued

for the year ended 31 March 2013

22 Financial instruments continued

Financial risk management continued

Interest rate risk continued

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

Company	Increase in basis points	Effect on profit before tax and equity £
2013		
Cash and cash equivalents	25	(297)
Vendor loan	25	(2,300)
2012		
Cash and cash equivalents	25	714
Bank loans – pounds sterling	25	(300)
Bank loans – US dollars	25	(382)
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 2013 and 31 March 2012. 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 2013 and 31 March 2012 including derivative financial instruments, represents 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	2013 £	2012 £
Included in non-current assets		
Interest rate instruments	—	—
Included in non-current liabilities		
Interest rate instruments	—	454

The derivative financial instruments in the prior year comprised:

- a) an interest rate cap of 5.5% the floating rate option being Bank of England daily base rate and
- 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.

23 Post balance sheet event

On 11 June 2013 the Group completed the placing and subscription of 23,529,412 new ordinary shares of 4 pence each with new and existing shareholders at a price of 17 pence per new ordinary share.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Omega House, Hillfoots Business Village, Clackmannanshire FK12 5DQ on 28 August 2013 at 11am for the following purposes

Ordinary business

- 1 To receive and adopt the reports of the Directors and the auditors and the audited accounts for the year ended 31 March 2013
- 2 To reappoint Ernst & Young LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors
- 3 To re-elect Mr Andrew Shepherd as a Director of the Company
- 4 To elect Mr William Rhodes as a Director of the Company
- 5 That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £1,449,942 24 ordinary shares of 4p each ("Ordinary Shares"), provided that this authority shall, unless, renewed, varied or revoked by the Company, expire on the conclusion of the next annual general meeting of the Company or, if earlier, on 31 October 2014 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Companies Act 2006 but without prejudice to any allotment already made or to be made pursuant to such authority

Special business

Resolution 6 is proposed as a special resolution

- 6 That, conditional upon the passing of resolution 5 above, and in accordance with section 570 of the Companies Act the Directors be generally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 5 as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to
 - 6.1 the allotment of equity securities in connection with an issue in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them but subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements arising or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange, and
 - 6.2 the allotment of Ordinary Shares otherwise than pursuant to sub paragraph 6.1 above up to an aggregate nominal amount of £217,491 34,

and provided that this power shall, unless renewed, varied or revoked by the Company expire on the conclusion of the next annual general meeting of the Company or if earlier, 31 October 2014 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
28 June 2013

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

- 1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6pm on 26 August 2013 shall be entitled to attend and vote at the Meeting

Appointment of proxies

- 2 If you are a member of the Company at the time set out in Note 1 above you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form
- 3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them
- 4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390
- 5 A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting

Appointment of proxy using hard-copy proxy form

- 6 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote

To appoint a proxy using the proxy form the form must be:

- completed and signed
- sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7L or by facsimile transmission to 01252 719 232
- alternatively the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com

and received by Share Registrars Limited no later than 11am on 26 August 2013

In the case of a member which is a company the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form

Appointment of proxy by joint members

- 7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior)

Changing proxy instructions

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

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390

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

Termination of proxy appointments

- 9 In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

By sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7L or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice

In either case, the revocation notice must be received by Share Registrars Limited no later than 11am on 26 August 2013.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then subject to the paragraph directly below, your proxy appointment will remain valid

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated

Corporate representing

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

Issued shares and total voting rights

- 11 As at the date of this Annual Report the Company's issued voting share capital comprised 108 745 669 ordinary shares of 4p each. Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company is as at the date of this Annual Report

Communications with the Company

- 12 Except as provided above, members who have general queries about the Meeting should telephone Kieron Harbinson on +44(0)1259 763 030 (no other methods of communication will be accepted). You may not use any electronic address provided other in this notice of annual general meeting or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated

Voting through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf

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

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

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

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

Registered in England and Wales number 5017761

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