

## Regulatory Announcement

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**Company** Omega Diagnostics Gp  
**TIDM** ODX  
**Headline** Interim Results  
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 Omega Diagnostics Group PLC  
 27 November 2008

**OMEGA DIAGNOSTICS GROUP PLC**  
 ("Omega" or the "Company")  
**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

Omega, which supplies a wide range of immunoassay-based products, announces interim results for the six months ended 30 September 2008.

Omega operates in niche markets, primarily in infectious diseases (including Syphilis, TB, Dengue Fever, Chagas disease and Malaria), food intolerance testing and autoimmune diseases (including anaemia, connective tissue disease and renal disease). Omega has a strong distribution network in over 100 countries.

### Financial Highlights:

- Turnover up 130% to £2.6m (2007: £1.15m) with full benefit of Genesis and CNS acquisition
- Gross profit up 220% to £1.6m (2007: £503k)
- Gross profit percentage increased to 61.1% (2007: 43.9%)
- EBITDA before exceptional items up to £0.4m (2007: loss of £0.1m)
- EPS basic and diluted of 0.9p before exceptional items (2007: loss of 2.4p) and 0.3p after exceptional items (2007: loss of 2.4p)
- Net cash at the period end of £0.5m

### Other highlights:

- Good headway in core activity in first half and progress of microarray and macroarray technologies is encouraging for the full year
- Aborted acquisition cost of c. £84,000 to be treated as an exceptional item
- Omega continues to look for suitable acquisitions but timing remains uncertain in the current period

### Regarding outlook, David Evans, Chairman, said:

"We are pleased with the underlying like-for-like growth in turnover and with the increase in gross margin as the full benefits of the Genesis/CNS acquisition are felt and we are expecting double digit revenue growth on a like-for-like basis for the full year."

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**Chairman's Statement**

Dear Shareholder

Omega has made good headway with its core activities in the first half of the year and the progress of the microarray and macroarray technologies in particular, is encouraging for the full year. Below, I also explain the situation around an aborted acquisition and although unsuccessful, the Company will continue in its objective to look for suitable acquisitions as it believes consolidation opportunities still exist but the timing of any deal and degree of risk will remain uncertain during challenging times to be raising funds.

**Financial**

The results for the current period include a full six months' contribution from Genesis and CNS compared to just one month in the prior period.

Revenue for the period increased by 130% to £2,637,521 (2007: £1,147,777) and would have shown a 19.8% increase on a like-for-like basis had Genesis and CNS been included for the full six months in the prior period. Gross margin showed a significant improvement at 61.1% (2007: 43.9%) due to the mix of higher margin Genesis and CNS products.

Administration costs, excluding exceptional costs related to the aborted acquisition, increased to £1,326,436 (2007: £595,715), again primarily due to the effect of Genesis and CNS which had administration costs in this period of £615,900 (2007: £91,737). Of the remaining increase, £165,412 is due to investing in infrastructure, particularly sales & marketing, to ensure momentum is maintained in penetrating new markets with the microarray and macroarray products and the balance of the increase relates to a full period charge for the amortisation of intangible assets.

In the period, the strengthening of the US dollar has had an adverse impact on results where foreign exchange gains on net US dollar assets from trading operations have been more than offset by losses on having to retranslate US dollar borrowings, leading to a net foreign exchange loss of £30,390 (2007: loss of £4,566). The US dollar has continued to strengthen against sterling in the first two months of the second half, giving rise to a similar sized translational loss but as the Company continues to generate further US dollar assets from trading operations on a monthly basis, the balance of US dollar assets is converging with a reducing balance of US dollar borrowings, which will help to mitigate the effects of any further strengthening in the US dollar exchange rate for the remainder of the second half.

Finance costs have increased to £140,038 for the period (2007: £47,514) reflecting the cost of servicing the loans taken out to fund the Genesis and CNS acquisition for the full 6 month period. Also included is the effect of exchange rate differences on the borrowings, referred to above, and as disclosed in note 3 to the Interim Report.

**Aborted acquisition**

During the current period, Omega had been involved in the planned acquisition of another company which required the Company to raise new funds to complete the acquisition. The funding environment deteriorated throughout the process, due to the turmoil in worldwide financial markets, and in early November, the Company concluded that due to these challenging circumstances it was not possible to raise sufficient funds to complete the transaction. The Company has incurred costs, estimated at £280,000 in connection with the aborted transaction but it has been able to significantly reduce the impact of these costs to 30% of the total by obtaining indemnities from third parties for 70% of these costs. Among these third parties are Dr Mike Walker and myself who agreed to cover 30% and 10% of the costs respectively under an agreement entered into on 3 September 2008. As a result the financial impact of the aborted transaction to the Company has been limited to an estimate of £84,000. These costs are included in the first half but due to the one-off nature and value of these costs, they are separately disclosed and treated as an exceptional item in the Income Statement so that they do not impact on the results from normal trading operations.

The EBITDA for the period before exceptional costs has increased to £409,149 (2007: loss of £66,771) and the net profit for the period was £50,725 (2007: loss of £116,417) representing earnings per share of 0.3p (2007: loss per share of 2.4p). Net cash at the period end was £528,231 (2007: £444,114) and follows payments made in the period of £99,644 in connection with the Genesis/CNS acquisition, comprised of the first year's earn-out amount of £38,010 and the deferred cash payment of £61,634.

**Board Change**

Following the successful acquisition of Genesis and CNS in September last year, Dr Mike Walker indicated recently that he wished to step down from the Board and, as previously announced, resigned from the Board on 11 November 2008. Mike was the founder of Genesis and CNS and the Board would like to wish him well for the future.

**Outlook**

We are pleased with the underlying like-for-like growth in turnover and with the increase in gross margin as the full benefits of the Genesis/CNS acquisition are felt and we are expecting double digit revenue growth on a like-for-like basis for the full year.

David Evans, CA  
*Non-Executive Chairman*

26 November 2008

INDEPENDENT REVIEW REPORT TO OMEGA DIAGNOSTIC GROUP PLC

### Introduction

We have been engaged by the company to review the condensed set of financial statements in the Interim Report for the six months ended 30 September 2008 which comprises the Consolidated Income statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes 1 to 6. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### Directors' Responsibilities

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Rules issued by the London Stock Exchange which require that it is presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with the AIM Rules issued by the London Stock Exchange.

### Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with the accounting policies outlined in Note 1, which comply with IFRSs as adopted by the European Union and in accordance with the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP  
Edinburgh  
26 November 2008

### Consolidated Income Statement

for the six months ended 30 September 2008

	6 months to 30 Sept 2008 £	6 months to 30 Sept 2007 £
<b>Continuing operations</b>		
<b>Revenue</b>	<b>2,637,521</b>	1,147,777
Cost of sales	<u>(1,024,713)</u>	<u>(644,431)</u>
<b>Gross profit</b>	<b>1,612,808</b>	503,346
Administration costs	<b>(1,326,436)</b>	(595,715)
Exceptional administration costs	<u>(84,000)</u>	-
<b>Operating profit / (loss)</b>	<b>202,372</b>	(92,369)
Finance costs	<b>(140,038)</b>	(47,514)

Finance revenue - interest receivable	4,780	7,240
<b>Profit / (loss) before taxation</b>	<b>67,114</b>	<b>(132,643)</b>
Tax (charge) / credit	<b>(16,389)</b>	16,226
<b>Profit / (loss) for the period</b>	<b>50,725</b>	<b>(116,417)</b>
Earnings / (loss) per share - basic and diluted		
- before exceptional items	<b>0.9p</b>	(2.4p)
- after exceptional items	<b>0.3p</b>	(2.4p)

**Consolidated Balance Sheet**  
as at 30 September 2008

	At 30 Sept 2008 £	At 31 March 2008 £	At 30 Sept 2007 £
<b>Assets</b>			
Non-current assets			
Intangibles	5,062,372	5,111,747	5,046,917
Property, plant and equipment	524,959	592,647	617,321
Deferred taxation	108,337	124,310	58,464
Derivative financial instruments	992	3,419	-
	<u>5,696,660</u>	<u>5,832,123</u>	<u>5,722,702</u>
Current assets			
Inventories	716,738	627,037	654,870
Trade and other receivables	1,253,870	1,085,291	913,617
Cash and cash equivalents	528,231	512,511	463,302
	<u>2,498,839</u>	<u>2,224,839</u>	<u>2,031,789</u>
Total assets	<u>8,195,499</u>	<u>8,056,962</u>	<u>7,754,491</u>
<b>Equity and liabilities</b>			
Issued capital	5,011,769	4,405,998	4,415,997
Retained earnings	(894,812)	(945,537)	(1,299,469)
Total equity	<u>4,116,957</u>	<u>3,460,461</u>	<u>3,116,528</u>
<b>Liabilities</b>			
Non current liabilities			
Long term borrowings	1,905,512	1,976,912	2,304,558
Other financial liabilities	201,985	204,476	708,100
Deferred taxation	574,504	591,366	584,973
Derivative financial instruments	4,790	3,649	-
Total non current liabilities	<u>2,686,791</u>	<u>2,776,403</u>	<u>3,597,631</u>
Current liabilities			
Short term borrowings	306,496	288,869	259,188
Other financial liabilities	89,545	733,327	-
Trade and other payables	901,068	726,325	781,144
Income Tax Payable	94,642	71,577	-
Total current liabilities	<u>1,391,751</u>	<u>1,820,098</u>	<u>1,040,332</u>
Total liabilities	<u>4,078,542</u>	<u>4,596,501</u>	<u>4,637,963</u>
<b>Total equity and liabilities</b>	<u>8,195,499</u>	<u>8,056,962</u>	<u>7,754,491</u>

**Consolidated Statement of Changes in Equity**

for the six months ended 30 September 2008

	Share capital £	Share premium £	Retained earnings £	Total £
<b>Balance at 1 April 2007</b>	860,175	374,121	(1,183,052)	51,244
Issue of share capital for cash consideration	293,333	1,450,778	-	1,744,111
Issue of share capital for non-cash consideration	178,449	1,259,141	-	1,437,590
Loss for the period	-	-	(116,417)	(116,417)
<b>Balance at 30 September 2007</b>	<b>1,331,957</b>	<b>3,084,040</b>	<b>(1,299,469)</b>	<b>3,116,528</b>
Additional expenses in connection with share issue in period to 30 September 2007	-	(9,999)	-	(9,999)
Profit for the period	-	-	353,932	353,932
<b>Balance at 31 March 2008</b>	<b>1,331,957</b>	<b>3,074,041</b>	<b>(945,537)</b>	<b>3,460,461</b>
Issue of share capital for non-cash consideration	30,289	575,482	-	605,771
Profit for the period	-	-	50,725	50,725
<b>Balance at 30 September 2008</b>	<b>1,362,246</b>	<b>3,649,523</b>	<b>(894,812)</b>	<b>4,116,957</b>

#### Consolidated Cash Flow Statement

for the six months ended 30 September 2008

	6 months to 30 Sept 2008 £	6 months to 30 Sept 2007 £
<b>Cash flows generated from operations</b>		
Profit/(loss) for the period	50,725	(116,417)
Adjustments for:		
Taxation	16,389	(16,226)
Finance costs	140,038	47,514
Finance income	(4,780)	(7,240)
Operating profit/(loss) before working capital movement	202,372	(92,369)
(Increase)/decrease in trade and other receivables	(168,579)	409,949
(Increase)/decrease in inventories	(89,701)	37,086
Increase/(decrease) in trade and other payables	235,253	(252,451)
Depreciation	73,402	17,369
Amortisation of intangible assets	49,375	8,229
<b>Net cash flow from operating activities</b>	<b>302,122</b>	<b>127,813</b>
<b>Investing activities</b>		
Finance income	4,780	7,240
Purchase of property, plant and equipment	(5,714)	(131,191)
Outflow on acquisition of subsidiary	(99,644)	(2,896,258)
<b>Net cash used in investing activities</b>	<b>(100,578)</b>	<b>(3,020,209)</b>
<b>Financing activities</b>		
Finance costs	(39,200)	(47,514)
Proceeds from issue of share capital	-	1,754,111

New loans	-	1,324,826
Loan repayments	(123,238)	(60,250)
Finance lease repayments	(23,387)	(12,483)
<b>Net cash (used)/from financing activities</b>	<b>(185,825)</b>	<b>2,958,690</b>
<b>Net increase in cash and cash equivalents</b>	<b>15,720</b>	<b>66,294</b>
Cash and cash equivalents at beginning of period	512,511	377,820
<b>Cash and cash equivalents at end of period</b>	<b>528,231</b>	<b>444,114</b>

#### Notes to the Interim Report

for the six months ended 30 September 2008

##### 1. Basis of Preparation

For the purpose of preparing the March 2008 Annual financial statements the Directors used IFRS as adopted by the EU and in accordance with the AIM Rules issued by the London Stock Exchange. In preparing these interim financial statements, the same accounting policies have been used as set out in the Group's Annual Report for the year ended 31 March 2008. The Group has not applied IAS 34 *Interim Financial Reporting*, which is not mandatory for AIM companies, in the preparation of these interim financial statements.

The interim financial statements are unaudited but have been formally reviewed by the auditors and their report is unqualified. The information shown in the consolidated balance sheet as at 31 March 2008 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 and has been extracted from the Group's 2008 Annual Report which has been filed with the Registrar of Companies. The report of the auditors on the financial statements contained within the Group's 2008 Annual Report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

These interim financial statements were approved by the Board of Directors on 26 November 2008.

##### 2. Exceptional Administration Costs

During the current period, the Company was involved in the planned acquisition of another company which required the Company to raise new funds to complete the acquisition. The funding environment deteriorated throughout the process, due to the turmoil in worldwide financial markets, and in early November, the Company concluded that due to these challenging circumstances it was not possible to raise sufficient funds to complete the transaction. The Company has incurred costs, estimated at £280,000 in connection with the aborted transaction but it has been able to significantly reduce the impact of these costs to 30% of the total by obtaining indemnities from third parties for 70% of these costs. Among these third parties are Dr Mike Walker and myself who agreed to cover 30% and 10% of the costs respectively under an agreement entered into on 3 September 2008. As a result the financial impact of the aborted transaction to the Company has been limited to an estimate of £84,000. These costs are included in the first half but due to the one-off nature and value of these costs, they are separately disclosed and treated as an exceptional item in the Income Statement so that they do not impact on the results from normal trading operations.

##### 3. Finance costs

	6 months to 30 Sept 2008 £	6 months to 30 Sept 2007 £
Interest payable on loans and bank overdrafts	33,052	10,252
Finance charges payable under finance leases	6,148	261
Finance charges related to committed loan facilities	42,916	37,001
Exchange movement on foreign currency borrowings	57,922	-
	<b>140,038</b>	<b>47,514</b>

##### 4. Earnings per Share

	2008 £	2007 £
Net profit/(loss) attributable to equity holders of the Group	50,725	(116,417)
	2008 number	2007 number

Basic and diluted average number of shares	15,079,559	4,939,728
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The diluted loss per share for 2007 is based on the basic average number of shares above as the effect of outstanding warrants is anti-dilutive. The number of shares in issue at the period end was 15,632,907.

#### 5. Share capital

	6 months to 30 Sept 2008 £	6 months to 30 Sept 2007 £
<b>Shares allotted for cash</b>		
Aggregate nominal value	30,289	471,782
Share premium	575,482	3,155,808
Expense of issue	-	(445,889)
<b>Increase in issued capital</b>	<b>605,771</b>	<b>3,181,701</b>

On 12 August 2008, the Company issued 757,213 ordinary shares of 4p each at a price of 80p per share in settlement of the earn-out due to original shareholders in Omega Diagnostics Limited as part of its agreed acquisition by the Company in September 2006.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these interim financial statements.

#### 6. Related party transactions

On 3 September 2008, Dr Mike Walker and David Evans, both directors of the Company, entered into an agreement with the Company, in connection with a proposed transaction to acquire another company, whereby they would indemnify the Company against a proportion of incurred transaction costs in the event of the transaction not completing. On 11 November 2008, the Company announced it had aborted attempts to acquire another UK-based diagnostics company. The Company has incurred costs involved with the transaction estimated to be £280,000 in total, and accordingly, the indemnities provided by Dr Mike Walker and David Evans of 30% and 10% respectively now apply. These indemnity amounts are included within trade and other receivables at the balance sheet date.

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