

Regulatory Announcement

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OMEGA DIAGNOSTICS GROUP PLC ("Omega" or the "Company")

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

Omega, the AIM listed medical diagnostics company, announces results for the year ended 31 March 2008, a year of progress in which the company completed its first acquisition and returned to profitability.

Omega is a medical diagnostics company and one of the UK's leading companies in the fast growing area of food intolerance testing where its multiple platform technologies offer competitive advantage. Omega's strong global distribution network (over 100 countries) offers a conduit to market not only for its food intolerance tests but also its autoimmune and infectious disease product ranges.

Financial Summary:

	Year to 31 March 2008	Year to 31 March 2007
Revenue	3,491,580	2,032,146
Gross profit	1,897,894	831,489
Operating profit/(loss)	<u>298,237</u>	<u>(885,652)</u>
Profit/(loss) before tax	<u>123,708</u>	<u>(1,141,225)</u>

2008 Highlights:

- Acquisition of Genesis Diagnostics Ltd and Cambridge Nutritional Sciences Ltd for an initial consideration of £5.7m.
- £2.2m new equity (before expenses) raised via a cash placing of 7,333,333 new ordinary shares at 30p a share.
- Appointment of Dr Mike Walker as new Non-Executive Director.
- The acquisition of Genesis and CNS in line with Omega's strategy to become a leading in-vitro diagnostics company through selective acquisitions of companies with complementary strengths.
- Genesis-CNS acquisition provides major growth opportunity to develop new products using two key technologies, the macroarray and microarray.
- Completion of HSV2 product development.

Regarding outlook, David Evans, Chairman, said:

"Having completed on our first acquisition last year the forthcoming year is essentially about two objectives; firstly the delivery of both top line and bottom line growth in turnover and profitability and I am pleased to say

that the first three months of the year are in line with expectation. Turnover for the first three months is £1,363k which is 23% ahead of an equivalent pro-forma number for the comparative period last year. Secondly, we must deliver on our stated objective of growth through acquisition although in the current funding environment this is likely to be a more challenging task and demands more creative solutions in order to deliver value to all shareholders."

Contacts:

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Chairman's Statement

I am pleased to report that much has been achieved in the Group in its first full year as a Public Company since coming to the market in September 2006, and that the acquisition last year has enabled the Group to take an exciting position to exploit the opportunities which exist for its macroarray and microarray technologies.

Strategy

On 3 September 2007, the Company completed the acquisition of Genesis Diagnostics Limited ('Genesis') and Cambridge Nutritional Sciences Limited ('CNS') for a headline consideration of £5.7 million plus a contingent element, capped at £1 million based on certain sales targets for a three-year period ending on 31 October 2009. This was the culmination of a process which had started before the year began, but which was completed with the Company acquiring its preferred targets with the best potential to fulfil its strategy objective. This objective was to buy profitable companies with complementary products in order to increase growth potential.

The existing products from Genesis offer opportunities to increase revenue through the expanded distribution network that the Group already has in place. They also widen the product offering of the Group into tests for autoimmune diseases and food intolerance in addition to infectious diseases.

CNS adds an additional laboratory testing service which enables individuals, either directly or through their medical practitioner, to submit a sample which is analysed by CNS, with the result being sent back to the patient.

In addition, the acquisition has provided the Group with two new technology platforms. Prior to the acquisition, the macroarray platform had already allowed the commercialisation of Food Detective™, an at-home test for food intolerance. Meanwhile the microarray platform had allowed the commercialisation of Genarray™, a laboratory-based test system, also for food intolerance, which provides the laboratory with significantly increased utility compared with conventional microplates. It is expected that these products will be significant contributors to growth going forward. Additionally, these platforms are expected to provide further opportunity to widen use in the Group's other areas of autoimmune and infectious disease testing and to have applicability beyond to other disease indications.

Financial

The results for the year include a full twelve months for Omega Diagnostics Limited ('ODL') and only seven months for Genesis and CNS, reflecting their period of ownership to 31 March 2008.

Turnover for the Group increased to £3.5 million (2007: £2.0 million), an increase of 71.8%, reflecting the benefit of the Genesis and CNS acquisition. In ODL, turnover grew in four out of six territories and by 2.4% overall, the first increase for a number of years.

EBITDA increased to £417k (2007: £77k loss before exceptional items) and operating profit increased to £298k (2007: £86k loss before exceptional items), again with the benefit of the acquisition.

Net finance costs have increased to £175k (2007: £12k) in recognition of servicing the loans taken out to fund the Genesis and CNS acquisition.

Profit before tax amounted to £124k (2007: £1.14 million loss) and profit after tax was £238k (2007: £1.14 million loss) which resulted in earnings per share of 2.4p versus a loss per share of 1.2p in the previous year.

Balance sheet

The Group has intangible assets of £5.1 million at the year-end, comprised of goodwill of £3.2 million and intangible assets of £1.9 million, separately identified in line with current IFRS.

Net cash and cash equivalents at the year-end were £513k (2007: £378k) and the Group increased its borrowings during the year, principally to fund the acquisition of Genesis and CNS, where at the year-end, borrowings amounted to £2.3 million (2007: £0.3 million).

Research and development

Just after the year-end, the Group received the results of an external evaluation of its test for Herpes Simplex Virus type 2 infections and this product is now being launched.

The acquisition of Genesis has increased the Group's R&D capacity to research and develop new products. I look forward to updating you on these throughout the year, the most important being an improved version of the Genarray™ microarray system for food intolerance which allows end user laboratories to utilise significantly lower cost instrumentation to interpret results. This is expected to lead to increased customer acceptance.

Board and management

The Board is pleased to welcome Dr Mike Walker to the Board of the Company following his appointment on the completion of the acquisition of Genesis and CNS. Mike was one of the vendors of these companies and his experience will be valuable going forward.

Outlook

Having completed on our first acquisition last year the forthcoming year is essentially about two objectives; firstly the delivery of both top line and bottom line growth in turnover and profitability and I am pleased to say that the first three months of the year are in line with expectation. Turnover for the first three months is £1,363k which is 23% ahead of an equivalent pro-forma number for the comparative period last year. Secondly, we must deliver on our stated objective of growth through acquisition although in the current funding environment this is likely to be a more challenging task and demands more creative solutions in order to deliver value to all shareholders.

Overall I remain confident of the growth prospects for the Group as a whole for the year ahead and I look forward to updating you as the year progresses.

David Evans, CA
Non-executive Chairman
7 July 2008

Business Review

I am pleased to announce that the Group has seen a move into profitability following the acquisition of Genesis Diagnostics Ltd (Genesis) and Cambridge Nutritional Sciences Ltd (CNS) in September 2007. Although results only include 7 months of trading from Genesis and CNS, it is clear that the acquisition has been pivotal in providing a platform for the return to profitability and further sustained growth.

Turnover increased by over 71% to £3.5 million (2007:£2.0 million) in the year, mainly as a result of the acquisition. Trading in Omega Diagnostics Ltd (ODL) remained challenging due to the highly competitive environment in which it operates, but despite this it was able to record a modest increase of just over 2%.

ODL

ODL continues to operate in a challenging commercial environment, although turnover increased to £2,080k (2007: £2,032k), a 2.4% increase on the previous year. These market conditions confirm and support our decision to embark upon our acquisition strategy, which has resulted in us acquiring two companies with excellent growth potential.

Genesis

Genesis serves the clinical diagnostics market and shares a similar distribution route to market as used by ODL. It produces some 80 different test kits for autoimmune disease, food intolerance testing and some infectious diseases. Prior to acquisition, Genesis had developed a network of distributors in 27 countries. Its five top export markets are Australia, Spain, Italy, Iran and Croatia. Of these, only Iran features in the top list of Omega distributors. This, therefore, not only strengthens the Group's position in these markets but also

provides opportunities to cross sell through the Group. As well as increased market coverage, Genesis represents a good acquisition for the Group in that it utilises the same test technology as that used by Omega. In addition, it provides two new technology platforms with products already developed and launched.

CNS

CNS is involved in clinical testing services, offering tests to the general public mainly for food intolerance and several other clinical conditions. However, it has also launched a novel home test version of a food intolerance test, utilising the microarray technology called the Food Detective™.

During the year, a strategic review of the marketing proposition was made for Food Detective™. This resulted in the product being redesigned to take account of the move into the retail pharmacy market which is due to take place in 2008/2009.

Distribution network

Omega continues to operate on a global basis. The original distribution coverage of ODL in over 100 countries has been strengthened by the addition of 27 new distributors. These distributors are mostly based in countries already covered by ODL distributors, but with strengths in different product areas than those covered by ODL. This has led to cross-selling opportunities within the Group.

In recognition of the increased coverage, steps have been taken to recruit key sales and marketing personnel in the Group, and I am pleased to report that two Regional Sales Directors have been appointed to cover key territories for the Group: one for Europe/Latin America and one for Middle East/Asia-Pacific. In addition, the technical department at Genesis has been strengthened by the appointment of a specialist Product Manager who will provide technical support for the new technology platforms.

Research & development

After some delays, the Herpes Simplex 2 (HSV2) ELISA development has now been completed and its external clinical evaluation successfully concluded. It is now ready to be launched into the market.

Through the acquisition of Genesis, the Group now has a much greater R&D capability which will allow a greater flow of new products into the markets which we serve. The two new test platforms of microarray and microarray will allow us to develop more cutting-edge products, which will allow us greater access into the more developed countries around the world.

Outlook

During the year, Omega has, through its acquisition, made major progress in all aspects of the Group's activities. Synergy savings are also being pursued in key operational areas which we expect to deliver an increase in profitability in the year ahead. The Group is now able to move forward with confidence, and we believe our organic growth paired with our continuing acquisition strategy, will lead to growth in shareholder value. Several target companies are under consideration and we expect to report further on these opportunities later in the year.

Andrew Shepherd

Chief Executive
7 July 2008

Financial Review

The full year results include seven months of post-acquisition trading from Genesis and CNS, with their acquisition having been completed on 3 September 2007. Compared to 2007, therefore, the Group is able to demonstrate improvements in 2008 in all measures of turnover and profit. The net result for the year is a profit of £237,515 (2007: £1,139,818 loss).

Revenue

Revenue for the year was £3,491,580, representing an increase of 71.8% over the previous year (2007: £2,032,146). Ongoing operations contributed revenue of £2,080,747 which equated to growth of 2.4%, and the acquisition contributed revenue of £1,410,833 in the year.

Gross profit

Gross profit for the year was £1,897,894 (2007: £831,489). The gross profit margin has improved markedly in the year, rising to 54.4% (2007: 40.9%). This increase reflects the mix of higher margin products and services

provided by Genesis and CNS where better pricing is achieved in the markets served by Genesis' products than in those of Omega Diagnostics Limited ('ODL'). The improvement in gross margin is expected to continue, as the group will benefit both from a full twelve months' trading contribution in the current year and from the expected growth in microarray-based products which yield higher margins.

Administration costs

Administration costs were £1,599,657 (2007: £924,716), the increase mainly reflecting the administration costs within the acquired companies. Included within administration costs is a credit of £164,228 reflecting a change in the fair value of earn-out shares which are due to the original shareholders of ODL as part of its reverse acquisition agreement with Omega Diagnostics Group PLC. At 31 March 2008, the earn-out amount has been calculated as £605,772 (2007: £770,000) and this amount is shown as a current liability on the balance sheet.

Research and development

Included within administration costs is expenditure on research and development activities which, in the year, amounted to £136,672 (2007: £32,588). The increase is again mainly due to activities within the acquired companies, and development has progressed in all three main product areas of the Group. In food intolerance, development was completed on a new Greek version of the microarray-based Food Detective™ kit which has since been launched. Meanwhile development continues on a new colourimetric microarray-based kit which requires a much less expensive scanning system to interpret results than the existing system.

In autoimmune diseases, development has focussed on: a microarray-based kit for the diagnosis of systemic rheumatic diseases and autoimmune vasculitis; a microarray-based kit for detecting gastrointestinal diseases; and a microplate-based test which is highly specific for the detection of Systemic Lupus Erythematosus. In infectious diseases, development was completed on the novel new test for diagnosing Herpes Simplex Virus infections, with the kit successfully completing its external evaluations.

Operating profit

The Group generated operating profits of £298,237 (2007: £885,652 loss), having benefited from the seven months of trading contribution from the acquired companies.

Profit before tax

The profit before tax was £123,708 (2007: £1,141,225 loss). Finance costs for the year totalled £187,421 (2007: £24,898), with the increase being principally due to the servicing of new loans taken out to fund the acquisition of Genesis and CNS. Also included within finance costs is a charge of £64,888 relating to the difference between the Omega earn-out (see Administration costs on opposite page) at 31 March 2007 of £770,000 and its then discounted value of £705,112.

Taxation

There is a tax credit of £113,807 (2007: £1,407 tax credit) in the year, representing a movement in deferred tax and a current tax prior year adjustment.

Share consolidation

On 30 August 2007, the Company undertook a capital reorganisation, dividing each 1p ordinary share into an intermediate ordinary share of 0.1p and a deferred share of 0.9p. The deferred shares have no entitlement to any participation in the profits or assets of the Company. The intermediate ordinary shares were subsequently consolidated on the basis of one new ordinary share of 4p for each 40 intermediate ordinary shares in existence.

Earnings per share

There was a basic earnings per share of 2.4 pence compared to a loss per share of 1.2 pence in the previous year. There was a diluted earnings per share of 2.2 pence (2007: 1.1p loss per share), by taking into account the effect of known transactions that may give rise to a future issue of shares.

Acquisition and financing

Acquisition

On 3 September 2007, the Group completed the acquisition of Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited for a headline sum of £5.7 million, plus an earn-out (limited to £1 million) based on 7% of the sales of certain defined products over the three-year period from 1 November 2006 until 31 October 2009. The headline consideration comprised an up-front cash payment of £3.2 million, with a further cash sum of £61,634 payable on the first anniversary date, shares in the Company to the value of £1,338,366, and a loan note of £1.1 million. The earn-out amount is currently estimated to be no more than £400,000 for the three year period to which it relates. Under IFRS, the loan notes, shares in the Company and the earn-out have been restated at fair values as at the balance sheet date, and details of these are contained in note 2. The results for the year only include a contribution to trading from Genesis and CNS from 3 September 2007 until 31 March 2008. The Consolidated Income Statement presents the results from ongoing operations and acquisitions separately, so the benefits of the acquisition can be more fully understood.

Goodwill

Following completion of the acquisition of Genesis and CNS, as set out in IFRS3 Business Combinations, the cost of the business combination is allocated by measuring the identifiable assets and liabilities at their fair values at the acquisition date. Any excess of the cost of the combination over the acquirer's interest in the net fair value of those items is accounted for as goodwill. Goodwill arising on the acquisition has been calculated at £3,194,351 and is included within intangibles under the non-current assets on the balance sheet.

Financing

To fund the cost of the acquisition the Group was successful in raising equity funding of £2.2 million through the placing of 7,333,333 new ordinary shares at 30 pence per share with new institutional shareholders, and we are grateful for their support shown during the fund-raising process. In addition, the Group raised a loan of £1.2 million through its principal banker, Bank of Scotland. The loan is repayable over five years and for its first year, carries interest at the rate of a 2.5% margin over base rate. Provided certain covenants are met throughout the first year, the margin falls to 2% over base rate for the remaining four years on condition that no subsequent breaches of any covenants occur, at which point the margin would revert to 2.5% over base rate again. Finally, the Group issued a loan note of £1.1 million to the vendors of Genesis and CNS. The loan note is repayable, in three equal installments, in September 2012, 2013 and 2014. Interest accrues at base rate only and is payable with the final installment of capital.

Treasury operations**Currency management**

The Group conducts its operations in three main currencies, namely 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. Currently, the Group does not enter into any currency derivatives, but this will be kept under review as the Group's operations are expected to grow, which may give rise to a future need to use such derivatives. Following the purchase of Genesis and CNS, the Group generates a net surplus in US dollars from its trading activities. Given this situation, in March 2008, the Company converted half of its then outstanding sterling loan with Bank of Scotland into US dollars. This has helped to match more evenly the US dollar-denominated assets and liabilities of the Group, and has enabled the Group to benefit from US interest rates which are currently lower than interest rates in the UK.

Interest rate management

Following conversion of a part of the sterling loan into US dollars (see Currency management opposite), the Group has limited its exposure to interest rate fluctuations by entering into certain derivative financial instruments. In the case of the remaining sterling loan, the Group has entered into an agreement with Bank of Scotland whereby the base rate element of the interest charge will be capped at 5.5% for the entire remaining term. Should base rates increase above 5.5%, the group will never pay more than 5.5% plus the agreed margin. In the case of the US dollar loan, the Group has entered into two agreements with Bank of Scotland, one to cap the interest rate based on US Libor at 5% and one to operate a floor rate on US Libor of 2.25%. This means the Group is protected for the term of the loan if US Libor rises above 5%, but means that the Group will not further benefit should US Libor rates fall lower than 2.25%. Under IFRS, these derivative financial instruments are required to be disclosed at their fair values as either assets or liabilities. Accordingly, at the balance sheet date, the Group had assets of derivative financial instruments of £3,419 and liabilities of derivative financial instruments of £3,649.

Cashflow

Net cash inflow for the year was £134,691 (2007: £675,674) which meant that at the year end, the Group had cash and cash equivalents of £512,511 (2007: £377,820). Cash generated from operations was £438,435 (2007: £26,637), as the group benefited from the return to operating profitability following the acquisition of Genesis and CNS. The net cash outlay for the acquisition was £2,896,258 as Genesis and CNS had combined cash of £382,073 at the time of acquisition, and acquisition costs amounted to £78,332. The net proceeds from the issue of new shares amounted to £1,744,111 after expenses of £455,889.

Capital expenditure

The Group incurred £157,721 (2007: £32,469) on plant and machinery fixed assets when, at Genesis, a fully automated bottle filling, capping and labelling system was installed following its acquisition. The other main purchases comprised general IT equipment upgrades.

Kieron Harbinson

Group Finance Director
7 July 2008

**CONDOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	2008 Ongoing operations £	2008 Acquisitions £	2008 Total £	2007 Total £
Continuing operations				
Revenue	2,080,747	1,410,833	3,491,580	2,032,146
Cost of Sales	(1,247,481)	(346,205)	(1,593,686)	(1,200,657)
Gross Profit	833,266	1,064,628	1,897,894	831,489
Administration costs	(955,066)	(644,591)	(1,599,657)	(924,716)
Other income - government grants and related assistance	-	-	-	7,015
Exceptional administration costs	-	-	-	(799,440)
Operating profit/(loss)	(121,800)	420,037	298,237	(885,652)
Finance costs	(180,976)	(6,445)	(187,421)	(24,898)
Finance income - interest receivable	8,734	4,158	12,892	13,008
Exceptional items - goodwill	-	-	-	(243,683)
Profit/ (loss) before taxation	(294,042)	417,750	123,708	(1,141,225)
Tax credit	65,846	47,961	113,807	1,407
Profit/(loss) for the year	(228,196)	465,711	237,515	(1,139,818)
Earnings Per Share (EPS)				
Basic EPS on profit/(loss) for the year				
-before exceptional items			2.4p	(0.1p)
-after exceptional items			2.4p	(1.2p)
Diluted EPS on profit/(loss) for the year				
-before exceptional items			2.2p	(0.1p)
-after exceptional items			2.2p	(1.1p)

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2008**

	2008 £	2007 £
ASSETS		
Non-current assets		
Intangibles	5,111,747	-
Property, plant and equipment	592,647	107,995
Deferred taxation	124,310	58,464
Derivative financial instruments	3,419	-
	5,832,123	166,459
Current assets		
Inventories	627,037	263,637
Trade and other receivables	1,085,291	746,108
Cash and cash equivalents	512,511	634,651
	2,224,839	1,644,396
Total assets	8,056,962	1,810,855

EQUITY AND LIABILITIES**Equity**

Issued capital	4,405,998	1,234,296
Retained earnings	(945,537)	(1,183,052)
Total equity	3,460,461	51,244

Liabilities

Non-current liabilities		
Other financial liabilities	204,476	705,112
Long-term borrowings	1,976,912	27,383
Deferred taxation	591,366	-
Derivative financial instruments	3,649	-

Total non-current liabilities	2,776,403	732,495
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Current liabilities

Short-term borrowings	288,869	289,698
Other financial liabilities	733,327	-
Trade and other payables	726,325	737,418
Income tax payable	71,577	-

Total current liabilities	1,820,098	1,027,116
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Total liabilities	4,596,501	1,759,611
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Total equity and liabilities	8,056,962	1,810,855
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008**

	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 31 March 2006	80,036	156,476	(169,593)	66,919
Reverse acquisition capital adjustment	265,451	-	-	265,451
Issue of share capital	514,688	217,645	-	732,333
Loss for the year ended 31 March 2007	-	-	(1,139,818)	(1,139,818)
Share-based payments	-	-	126,359	126,359
Balance at 31 March 2007	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	1,159,917	-	1,338,366
Fair value adjustment to issue of share capital for non-cash consideration	-	89,225	-	89,225
Profit for the year ended 31 March 2008	-	-	237,515	237,515
Balance at 31 March 2008	1,331,957	3,074,041	(945,537)	3,460,461

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	2008 £	2007 £
Cash flows generated from operations		
Profit/(loss) for the year	237,515	(1,139,818)

Adjustments for:		
Goodwill write-off	-	243,683
Taxation	(113,807)	(1,407)
Finance costs	187,421	24,898
Finance income	(12,892)	(13,008)
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Operating profit/(loss) before working capital movement	298,237	(885,652)
Decrease/(increase) in trade and other receivables	234,858	(283,206)
Decrease/(increase) in inventories	64,919	(5,339)
(Decrease)/increase in trade and other payables	(279,257)	1,061,022
Grant amortised	-	(2,662)
Loss on sale of property, plant and equipment	520	-
Depreciation	61,554	16,115
Amortisation of intangible assets	57,604	-
Share-based payments	-	126,359
Net cash flow from operating activities	438,435	26,637
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Investing activities		
Finance income	12,892	13,008
Purchase of property, plant and equipment	(157,721)	(32,469)
Sale of property, plant and equipment	6,500	-
(Outflow)/inflow on acquisition of subsidiary	(2,896,258)	21,767
Net cash (used in)/from investing activities	(3,034,587)	2,306
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Financing activities		
Finance costs	(140,086)	(24,898)
Proceeds from issue of share capital	1,744,111	732,333
New loans	1,354,924	-
Loan repayments	(241,555)	(60,704)
Net cash from financing activities	2,717,394	646,731
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Effects of exchange rate differences	13,449	-
Net increase in cash and cash equivalents	134,691	675,674
Cash and cash equivalents at beginning of period	377,820	(297,854)
Cash and cash equivalents at end of period	512,511	377,820

**Notes to the Preliminary Announcement
For the Year ended 31 March 2008**

1. Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The consolidated balance sheet at 31 March 2008 and the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and associated notes for the year then ended have been extracted from the Group's financial statements.

The comparative consolidated financial information for the year ended 31 March 2007 is based on an abridged version of the group's published financial statements for that period, which contained an unqualified audit report and which have been filed with the Registrar of Companies.

The statutory accounts for 2008 will be finalised on the basis of the financial information presented in this preliminary announcement and will be delivered to the registrar of companies following the company's annual general meeting.

The consolidated and Company financial statements have been prepared in accordance with IFRS as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2008.

Basis of consolidation

The Group financial statements consolidate the financial statements of Omega Diagnostics Group PLC and the

entities it controls (its subsidiaries). Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

The format of the consolidated income statement presented differs from that used in the Group's 2007 Annual Report. The revised format includes a separate column showing the results of acquisitions made in the year separately from ongoing operations. This column shows incremental third party sales and costs arising as a result of acquisitions and specifically excludes all inter-company transactions including unrealised profits arising on such transactions. This format has been adopted as it presents information in a format that is more relevant to users of the financial statements.

2. Acquisition of Subsidiaries

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

The acquisition has been accounted for using the purchase method of accounting, and the consolidated financial statements include the results of Genesis and CNS for the seven-month period from the acquisition date. The fair values of the identifiable assets and liabilities of Genesis and CNS as at the date of the acquisition were:

	Genesis book value	CNS book value	Fair value adjustments	Total
	£	£	£	£
Intangible assets	-	-	1,975,000	1,975,000
Property, plant and equipment	211,947	31,139	152,418	395,504
Inventories	373,599	5,000	49,720	428,319
Trade and other receivables	544,916	72,599	-	617,515
Cash and cash equivalents	168,921	213,152	-	382,073
Borrowings	(45,500)	-	-	(45,500)
Trade and other payables	(186,699)	(72,729)	(30,000)	(289,428)
Deferred tax liability	-	-	(601,199)	(601,199)
Net Assets	1,067,184	249,161	1,545,939	2,862,284
Goodwill on acquisition				3,194,351
				6,056,635
Fair value of consideration				5,978,303
Acquisition costs				78,332
				6,056,635

Valuation of acquired intangible assets

The valuation of acquired intangible assets has been performed in accordance with recognised industry standards. Intangible assets, which have been separately identified from goodwill, comprise the technology assets of the microarray, macroarray and microplate. Where necessary, the Group has consulted with independent external valuation experts in determining fair value and has assessed the net present value of future cash flows from these assets, using the relief-from-royalty method. A discount rate of 14% has been used as representing the Group's weighted average cost of capital.

Inventories

The fair value adjustment to inventories of £49,720 represents the uplift in value of the acquired finished goods in Genesis as required by IFRS3, which states that finished goods should be valued at selling prices less costs to sell and less a reasonable profit allowance. The increased value should then be recognised as a charge through cost of sales in the Income Statement, to match with when the finished goods are sold. Since all the finished goods at the acquisition date were sold in the year, cost of sales includes this additional charge.

Cost of the acquisition

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

Funding

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

Cash outflow on acquisition

	£
Net cash acquired with Genesis and CNS	382,074
Acquisition costs	(78,332)
Cash paid	(3,200,000)
Net cash outflow	(2,896,258)

From the date of acquisition, Genesis and CNS have contributed £465,711 to Group profit for the year. This figure is before internal management charges which are reallocated to subsidiaries to reflect their share of Group costs and management time spent on specific projects. The combined revenue and profit before tax for the Group, assuming that Genesis and CNS had been acquired at the start of the period would have been £4,572,675 and £503,753 respectively.

Goodwill

The goodwill recognised above is attributed to the synergies of the business combination, which are expected to come from combining the assets and operations of Genesis and CNS with the assets and existing infrastructure of the Omega Group.

3. Earnings per Share

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

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2008	2007
	£	£
Net profit attributable to equity holders of the Group	237,515	(1,139,818)

	2008	2007
	number	number
Basic average number of shares	9,921,322	93,988,048
Warrants	139,710	5,588,432
Earn-out	757,213	-
Director's share option	-	2,800,800
	10,818,245	102,377,280

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

Earnings per share before exceptional items

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

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

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

	2008	2007
	£	£
Net profit attributable to equity holders of the Group	237,515	(1,139,818)
Exceptional Items	-	1,043,123
Profit before exceptional items attributable to equity holders of the Group	237,515	(96,695)

4. Annual General Meeting

The Annual General Meeting will be held at Omega House, Hillfoots Business Village, Alva, FK12 5DQ on 28 August 2008 at 11am.

5. Annual Report

The annual report will be sent to shareholders shortly and will also be available at the registered office of Omega Diagnostics Group PLC at:

One London Wall
London
EC2Y 5AB

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