

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult an independent professional adviser authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. Prospective investors should carefully consider the section entitled "Risk Factors" in Part III of this document before taking any action. All statements regarding the Company's current and future business should be viewed in light of these risk factors.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, you should immediately send this document, together with the accompanying Form of Proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, these documents should not be forwarded into the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan or their respective territories or possessions or into any jurisdiction if to do so would constitute a violation of the relevant laws of such other jurisdiction.

Application will be made for all of the Existing Ordinary Shares of the Company to be re-admitted to trading on AIM and for the New Ordinary Shares of the Company to be issued pursuant to the Acquisition and the Placing to be admitted to trading on AIM. It is expected that the First Admission will become effective and dealings in the New Ordinary Shares will commence on AIM on 31 August 2007 and that the Second Admission will become effective and dealings in the New Ordinary Shares will commence on AIM on 3 September 2007.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority ("Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the New Ordinary Shares to the Official List. The New Ordinary Shares are not dealt in on any other recognised investment exchange.

The Company and each of the Ongoing Directors, whose names appear on page 11 of this document, accept individual and collective responsibility for the information contained in this document including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Ongoing Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

OMEGA DIAGNOSTICS GROUP PLC

(registered in England and Wales under the Companies Act 1985 with Registered Number 5017761)

Proposals for the acquisition of Genesis Diagnostics Limited

and

Cambridge Nutritional Sciences Limited,

Placing of 7,333,333 New Ordinary Shares of 4p each at 30p per share,

Share Consolidation,

Capital Reorganisation,

Notice of Extraordinary General Meeting

and

Admission to trading on AIM

Nominated Adviser and Broker

TEATHER & GREENWOOD LIMITED

Share capital immediately following Admission

		Authorised			Issued and fully paid					
		ordinary		Deferred		ordinary		Deferred		
Amount	Number	shares of	Number	shares of	Amount	Number	shares of	Number	shares of	
£8,500,000	184,769,736	4p each	123,245,615	0.9p each	£595,028	14,875,693	4p each	123,245,615	0.9p each	

Teather & Greenwood, which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively as nominated adviser and broker to the Company (for the purpose of the AIM Rules) and no one else in connection with the Placing and the Admission and will not be responsible for providing the protections afforded to customers of Teather & Greenwood nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. Teather & Greenwood's responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire New Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Teather & Greenwood as to the contents of this document or for the omission of any material, for which it is not responsible.

Notice of an Extraordinary General Meeting of Omega Diagnostics Group PLC, to be held at the offices of Brodies LLP, at 15 Atholl Crescent, Edinburgh EH3 8HA at 11.30 am on 30 August 2007 is set out at the end of this document. To be valid, the enclosed Form of Proxy for use at the meeting should be completed in accordance with the instructions thereon, signed and returned so as to be received by the Company's Registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN, as soon as possible but in any event not later than 11.30 am on 28 August 2007. Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the Extraordinary General Meeting should they wish to do so.

Copies of this document, which is dated 3 August 2007, will be available free of charge to the public during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the registered office of the Company at One London Wall, London EC2Y 5AB for not less than one month thereafter.

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DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or unless the context otherwise requires:

“2006 Acquisition”	the acquisition of Omega Diagnostics Limited, a private limited company registered in Scotland with company number SC107178, pursuant to an acquisition agreement dated 23 August 2006, as described in paragraph 2.10.8 of Part VII of this document
“2006 Acquisition Initial Consideration Shares”	the 60,600,000 Existing Ordinary Shares issued by the Company pursuant to the 2006 Acquisition
“2006 Admission”	the admission of shares to trading on AIM on 19 September 2006
“2006 Earn Out”	the proportion of the consideration, up to a maximum of £1,788,000, payable by the Company pursuant to the 2006 Acquisition, which was subject to an earn out calculation, as described by paragraph 2.10.8 of Part VII of this document
“2006 Earn Out Shares”	the shares to be issued pursuant to the 2006 earn out
“2006 Placing”	the placing of 2006 Placing Shares at the 2006 Placing Price, pursuant to the 2006 Placing Agreement, as described by paragraph 2.10.2 of Part VII of this document
“2006 Placing Price”	2p per Existing Ordinary Share – equivalent to 80p per New Ordinary Share
“2006 Placing Shares”	the 50,000,000 Existing Ordinary Shares which were issued by the Company pursuant to the 2006 Placing
“2006 Warrant”	warrant to subscribe constituted by the 2006 Warrant Instrument
“2006 Warrantholder”	the holder of a 2006 Warrant
“2006 Warrant Instrument”	the deed poll instrument issued by the Company on 23 August 2006, as described by paragraph 2.10.13 of Part VII of this document
“2006 Warrant Issue”	the issue of warrants entitling the holders of shares already in issue on 24 August 2006 to subscribe for up to 5,588,432 Existing Ordinary Shares under the terms of the 2006 Warrant Instrument
“Acquisition”	the acquisition of Genesis-CNS pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 3 August 2007 between the Vendors and the Company for the sale of the entire issued share capital of Genesis and CNS to the Company details of which are set out in paragraph 2.10.6 of Part VII of this document
“Act”	the Companies Act 1985, (as amended)
“Admission”	the admission of the New Ordinary Shares, including the Placing Shares and the Consideration Shares, to trading on AIM becoming effective in accordance with the AIM Rules which, unless the context otherwise requires, includes the First Admission and the Second Admission

“AIM”	AIM, a market of the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange (LSE) governing admission to and the operation of AIM for AIM companies and their nominated advisers
“Andrew Shepherd Deferred Salary Arrangements”	the arrangement between Andrew Shepherd, a Director, and the Company in relation to payment of his deferred salary, as is described in paragraph 2.10.10 of Part VII of this document
“Articles”	the articles of association of the Company
“Bank Facilities”	the facility agreement for £1.2 million by Bank of Scotland to the Company for the purposes of the Acquisition
“Board” or “Directors”	the existing directors of the Company, whose names appear on page 11 of this document
“Business Day”	a day which is not a Saturday or a Sunday and which is not a bank or public holiday in Edinburgh or Cambridge
“Capital Reduction”	the potential reduction in the share capital of the Company as described on page 19 of Part I of this document
“Capital Reorganisation”	the proposed capital reorganisation of the Company as described on page 18 of Part I of this document
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST)
“CNS”	Cambridge Nutritional Sciences Limited, a private limited company registered in England & Wales with registered number 04201429
“CNS Products”	means (a) Food Print® test analysis using microarray based tests (produced by Genesis and/or CNS) including Food Print® tests on all bodily fluids and (b) Food Detective® kits for professional and general public use on blood, saliva, urine or any other bodily fluid in either case as developed by CNS and/or Genesis and as in existence as at the date of the Acquisition Agreement.
“Combined Code”	the Principles of Good Governance and Code of Best Practice, issued by the London Stock Exchange
“Completion”	completion of the Acquisition
“Conditional Completion”	conditional completion of the sale and purchase of the entire issued share capitals of Genesis and CNS by the Company in accordance with the provisions of the Acquisition Agreement
“Consideration Shares”	the 4,461,220 New Ordinary Shares to be issued by the Company pursuant to the Acquisition Agreement
“CREST”	the relevant system (as defined in the CREST Regulations) to facilitate the transfer of title to the shares in uncertificated form in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“CVS”	the Corporate Venturing Scheme and related reliefs as detailed in Schedule 15 of the Finance Act 2000

“CVS relief”	reduction or deferral of corporation tax liability as a result of a CVS investment
“David Evans Warrant”	the warrant over 6,088,843 Existing Ordinary Shares issued to David Evans as part of the 2006 Admission, as described in paragraph 2.10.12 of Part VII of this document
“Deferred Shares”	shares in the Company which have a nominal value of 0.9p, are non-voting, carry no rights to dividends, have a minimal entitlement to share in the Company’s capital and will not be listed or quoted on any recognised investment exchange, as described on page 18 of Part I of this document
“Directors”	David Eric Evans, Andrew William Shepherd, Kieron Antony Harbinson, and Michael Stephen Gurner as set out on page 11 of this document
“Earn Out Calculation”	payment based on 7 per cent. of sales of CNS Products and 7 per cent. of sales of Genesis Products
“Earn Out Period”	the period from 1 November 2006 until 31 October 2009
“ECS”	ECS International Trustees (Gibraltar) Limited
“EIS”	The Enterprise Investment Scheme as detailed in Chapter III, ICTA 1988
“Enlarged Group”	the Company and its subsidiaries from time to time, from Admission
“Enlarged Issued Share Capital”	the entire issued share capital of the Company immediately following Admission
“Existing Ordinary Shares”	the 123,245,615 Ordinary Shares of 1p each in issue at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at the offices of Brodies LLP, 15 Atholl Crescent, Edinburgh EH3 8HA at 11.30 am on 30 August 2007, notice of which is set out at the end of this document
“First Admission”	the admission of 9,684,470 New Ordinary Shares to trading on AIM, becoming effective in accordance with the AIM Rules
“Form of Proxy”	the form of proxy to be used by Shareholders in respect of the Extraordinary General Meeting
“FSA”	the Financial Services Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000, as amended including any regulations made pursuant thereto
“Genesis”	Genesis Diagnostics Limited, a private limited company registered in England & Wales with registered number 02924988
“Genesis-CNS”	Genesis and CNS
“Genesis Products”	means microarray based tests for autoimmune and food intolerance/allergy and Food Detective® kits and autoimmune detective kits (i.e. kits based on the microarray text format in 16 or 48 spot formats) in any case as developed by Genesis and in existence as at 31 October 2006

“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards as adopted by the European Union
“Interim Period”	the period from signature of the Acquisition Agreement until Completion
“Intermediate Ordinary Shares”	the Ordinary Shares of 0.1p each after creation of the Deferred Shares but before the Share Consolidation
“Kieron Harbinson Option Arrangement”	the arrangement between Kieron Harbinson, a Director, and the Company, as described by paragraph 2.10.11 of Part VII of this document
“Listing Rules”	the rules for listing issued by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“Longstop Date”	17 September 2007
“New Ordinary Shares”	ordinary shares of 4p each in the capital of the Company following the Capital Reorganisation and the Share Consolidation
“Omega” or “Company”	Omega Diagnostics Group PLC
“Ongoing Directors”	the Directors and the Proposed Director
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placing”	the conditional placing by Teather & Greenwood of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement between the Directors (1), the Proposed Director (2), the Company (3) and Teather & Greenwood (4), dated 3 August 2007, relating to the Placing and Admission, particulars of which are summarised in paragraph 2 of Part VII of this document
“Placing Price”	the price of 30p per Placing Share
“Placing Shares”	the 7,333,333 New Ordinary Shares to be issued by the Company pursuant to the Placing
“Products”	the CNS Products and the Genesis Products
“Proposals”	the proposals for the Acquisition, the Placing, the Capital Reorganisation and the Share Consolidation
“Proposed Director”	Michael Strachan Walker, to be appointed as a Non-Executive Director of the Company on Admission
“Record Date”	close of business on 30 August 2007
“Registrars”	Share Registrars Limited
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Second Admission”	the admission of 5,191,223 New Ordinary Shares to trading on AIM, becoming effective in accordance with the AIM Rules

“Shareholder”	a holder of Ordinary Shares or New Ordinary Shares, as applicable, from time to time
“Share Consolidation”	the proposed consolidation of every 40 Intermediate Ordinary Shares into 1 New Ordinary Share
“Share Option Scheme”	the Omega Diagnostics Group PLC share option plan, details of which are set out in paragraph 2 of Part VII of this document
“Teather & Greenwood”	Teather & Greenwood Limited, which is authorised and regulated in the United Kingdom by the FSA
“the 2006 Directors’ Arrangements”	the Andrew Shepherd Deferred Salary Arrangements, the Kieron Harbinson Option Agreement and the David Evans Warrant
“the Transaction”	the Acquisition, the Placing, the Capital Reorganisation, the Share Consolidation and the Capital Reduction in their entirety
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“VCT”	venture capital trust for the purposes of section 842AA and Schedule 28B of the Income and Corporation Taxes Act 1988
“Vendors”	the shareholders of Genesis and CNS whose names are set out in paragraph 3 of Part VII of this document
“Warrantors”	Dr Michael Strachan Walker and Irene Crawford Walker, who are each providing certain warranties pursuant to the Acquisition Agreement

GLOSSARY

The following glossary of terms applies throughout this document, unless otherwise stated or the context otherwise requires:

Agglutination	Agglutination is an immunological reaction caused by the attachment of an antigen to its corresponding antibody, such reaction being visualised by the attachment of the antibody/antigen to a visual marker such as latex beads or red blood cells which clump together when a positive reaction occurs.
Analyte	The substance for which an assay is designed to measure. In the present context this will be in a sample taken from a patient or animal (such as blood) and its measurement will aid the diagnosis or monitoring of a disease or its treatment, or provide information for research studies.
Antibodies	Any of a large variety of immunoglobulins (or fragments thereof) which are part of the immune system, and are produced to help fight against infection. Antibodies are made by a type of blood cell called a lymphocyte, and are tailor-made in response to foreign material (antigen) entering the body. Antibodies are highly specific for their particular antigen, and will bind strongly to it. In immunoassays, antibodies are raised against the analyte and used as a receptor to bind the analyte.
Antigen	A protein or part of a protein which provokes an immune response and will bind to the antibodies generated.
Assay	A test to detect and/or quantitate a specific analyte in a sample.
Biomarker	An analyte present in a biological sample whose presence or concentration is indicative of a disease state.
Conjugate	An entity formed by coupling 2 substances together. In immunoassays the term generally refers to the labelled entity in the assay (e.g. enzyme-labelled antibody).
Enzyme	A catalytic protein which is necessary for a particular chemical process to take place in a living cell. In immunoassays, enzymes are frequently conjugated to antibodies, etc as part of the signal generation system.
EIA	Enzyme Immunoassay. An immunoassay which utilises an enzyme as the signal component.
Fluorescence	An alternative Label to that used in EIA systems.
IgG Food Intolerance Test	An assay detecting IgG antibodies produced in response to contact with certain food substances.
Immunoassay	An assay which uses the specificity of the antibody-antigen binding to measure or detect an analyte.
<i>In vitro</i>	Literally 'in glass'. It refers to a process or biological reaction taking place outside a living system.
<i>In vivo</i>	In the living system, it refers to a process or biological reaction taking place inside a living system.

In Vitro Diagnostic (IVD)	Reagents, instruments and systems intended for use in the diagnosis of disease or other conditions, including a determination of the state of health, in order to cure, mitigate, treat or prevent disease. Tests are performed on samples removed from the body.
Label/Labelled Component	In the majority of immunoassays, one of the components is labelled with a signal system such that the reaction can be visualised or quantified.
Marker	In the present context, a synonym for Biomarker.
MELISA	Micropin Enzyme Linked Immuno Sorbent Assay
Proteins	Proteins are one of the products that genes code for. They are made of chains of amino acids folded into complex three dimensional structures. It is this structure that helps determine their function.
Rapid Tests	Immunoassays that can be completed in less than 15 minutes.
RIA	Radioimmunoassay. A procedure that measures minute amounts of a substance, such as a hormone or drug, by quantitating the binding, or the inhibition of binding, of a radio labelled substance to an antibody.
Specificity	In this context ability of a measurement procedure to determine solely the measurable quantity it purports to measure.

STATISTICS

Placing Price	30p
Number of Existing Ordinary Shares	123,245,615
Number of Consideration Shares being issued and allotted under the Acquisition	4,461,220
Number Placing Shares being issued on Admission	7,333,333
Total number of New Ordinary Shares in issue following Admission	14,875,693
Market capitalisation of the Company on Admission at the Placing Price	£4,462,708
Percentage of the Enlarged Issued Share Capital to be held by the Vendors immediately following Completion and Admission	29.99 per cent.
ISIN Number Existing Ordinary Shares	GB00B00CRJ34
ISIN Number New Ordinary Shares	GB00B1VCP282

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	6 August 2007
Latest time and date for receipt of Forms of Proxy	11.30 am on 28 August 2007
Extraordinary General Meeting	11.30 am on 30 August 2007
Record Date for the Share Consolidation and Capital Reorganisation	Close of business on 30 August 2007
First Admission	31 August 2007
CREST accounts credited for Placing Shares in uncertificated form in respect of First Admission	31 August 2007
Second Admission	3 September 2007
Completion of the Acquisition and issue of Consideration Shares	3 September 2007
CREST accounts credited for Placing Shares in uncertificated form in respect of First Admission	3 September 2007
Despatch of definitive share certificates for Placing shares in certificated form	by 17 September 2007

DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

Directors	David Eric Evans Andrew William Shepherd Kieron Antony Harbinson Michael Stephen Gurner	<i>(Non-Executive Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Finance Director)</i> <i>(Non-Executive Director)</i>
Proposed Director	Michael Strachan Walker	<i>(Proposed Non-Executive Director)</i>
Company Secretary and Registered Office	Kieron Antony Harbinson One London Wall London EC2Y 5AB	
Nominated Adviser and Broker	Teather & Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR	
Auditors to Omega and Reporting Accountants to the Enlarged Group	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ	
Auditor to Genesis and CNS	Andrew Borland CA 75 Newnham Street Ely Cambridge CB7 4PQ	
Solicitors to Omega	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA	
Solicitors to the Warrantors	Kester Cunningham John Chequers House 77-81 Newmarket Road Cambridge CB5 8EU	
Solicitors to Teather & Greenwood	Wedlake Bell 52 Bedford Row London WC1R 4LR	
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN	

PART I

LETTER FROM THE CHAIRMAN OF OMEGA DIAGNOSTICS GROUP PLC

Omega Diagnostics Group PLC

(registered in England and Wales under the Companies Act 1985 with Registered Number 5017761)

Directors:

David Evans (*Non-Executive Chairman*)
Andrew Shepherd (*Chief Executive Officer*)
Kieron Harbinson (*Finance Director*)
Michael Gurner (*Non-Executive Director*)

Registered office:

One London Wall
London
EC2Y 5AB

3 August 2007

To Shareholders

Dear Shareholder

**Proposals for the acquisition of
Genesis Diagnostics Limited
and
Cambridge Nutritional Sciences Limited,
Placing of 7,333,333 New Ordinary Shares of 4p each at 30p per share,
Share Consolidation,
Capital Reorganisation,
and
Admission to trading on AIM**

Introduction

The Company has conditionally agreed to acquire the entire issued share capital of Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited (together "Genesis-CNS").

Genesis-CNS is a growing, profitable, cash-generative business serving the clinical diagnostics market. Genesis-CNS supplies test kits to hospital laboratories in the UK and overseas, via a network of distributors, in 27 countries. Genesis-CNS produces 80 different test kits, plus a line of 24 quality control products, mainly in the areas of autoimmune diseases and food intolerance as well as providing testing services for food intolerance and some diseases.

The consideration for the Acquisition is to be satisfied as to £3.2 million payable in cash on Completion; the issue of Consideration Shares at the Placing Price not to exceed the lesser of £1.4 million or 29.99 per cent. of the Enlarged Issued Share Capital; an amount in cash equal to the difference between the value of the Consideration Shares at the Placing Price and £1.4 million to be payable one year after completion; deferred consideration payable in cash in accordance with the Earn Out Calculation; and the issue of a loan note in respect of £1.1 million.

The Company has raised, conditional on Admission, £2.2 million by means of a placing of 7,333,333 New Ordinary Shares at the Placing Price in order to provide funds for the Acquisition. A further £1.2 million of funding for the Acquisition will be provided by a loan from Bank of Scotland.

In order to effect the Placing the Capital Reorganisation needs to be undertaken.

The Directors will give consideration after Admission to the need for a Capital Reduction to cancel the Deferred Shares. Shareholders should be aware that any Capital Reduction will not, of itself, have any effect on the net assets of the Group or on the market value of the issued New Ordinary Shares, other than as a result of the costs of carrying out the reduction.

Completion of the Acquisition and the Placing are subject, amongst other things, to the approval of Shareholders, which is to be sought at the Extraordinary General Meeting. I am writing to give more details on the Proposals and to urge you to vote in favour of the Resolutions as the Directors have irrevocably

undertaken to do in respect of their own beneficial shareholdings, which amount in aggregate to 37,324,976 Ordinary Shares (representing approximately 30.29 per cent. of the Ordinary Shares currently in issue).

Information on Omega

Omega is an established business in the medical diagnostics industry which produces and sells a wide range of immunoassay and infectious disease IVD test kits and other products through a distribution network in more than 100 countries worldwide. Omega operates in a niche market, supplying tests for specific infectious diseases and other clinical conditions. The infectious diseases addressed by Omega's products include Syphilis, Tuberculosis, Dengue Fever, Chagas Disease and Malaria. All products are designed for use in clinical laboratories and Rapid Tests are designed for use at the point of care. Omega currently exports over 95 per cent. of its products.

Information on Genesis-CNS

Genesis and CNS are established businesses in the medical diagnostics industry which develop, produce and sell a range of IVD tests kits specialising in the areas of autoimmune disease, infectious disease and food intolerance.

The acquisition of Genesis-CNS is in line with Omega's strategy of focusing on selected acquisitions of niche players in the IVD market. Genesis-CNS has the following characteristics which make it an attractive acquisition for the Company:

- Growing, profitable, cash-generative
- Operating in growth markets
- Ability to increase the routes to market
- Complementary product ranges
- Well established high quality management team

Growing, profitable, cash-generative

Over the three years to the year ended 31 October 2006 Genesis-CNS sales have grown to approximately £2,192,000 (including intercompany sales of approximately £78,000) for the 2005/6 financial year. For the year ended 31 October 2006 Genesis recorded a profit before tax of £238,103 and generated an operating cash surplus of £259,117 while CNS recorded a profit before tax of £79,474 and generated an operating cash surplus of £64,738.

Operating in growth markets

There has been a huge increase in people suffering from food related illnesses in recent years. Allergy UK, a national medical charity concerned with allergies, food intolerance and chemical sensitivities, believes that around 45 per cent. of the UK population is adversely affected by the food they eat and they see cases of food intolerance rising. The Directors believe that a growing awareness of food intolerance issues is driving the market potential for diagnostic products and services and therefore will increase the potential for sales.

It is estimated that the total European autoimmune disease diagnostics market was worth US\$440 million in 2004 and it is predicted that it may reach almost US\$700 million by 2011.

Ability to increase the routes to market

The Genesis-CNS distribution network only extends to 27 countries whereas Omega's extends to over 100 countries. The Directors intend to increase sales of Genesis-CNS and Omega's products by cross-selling them into the combined distribution network.

Complementary product ranges

The products produced by Genesis-CNS utilise the Enzyme Immunoassay (EIA) technology which is common to many of the products produced by Omega and they are highly complementary in that they cover areas of the IVD market which are not currently covered by Omega. For example, Omega primarily

sells infectious disease diagnostic products whereas Genesis-CNS focuses on autoimmunity and food intolerance diagnostic products through its macro and microarray technologies.

Well established high quality management team

Genesis-CNS has a strong management team which the Directors believe will be an asset to Omega's existing management. In particular, Dr Michael Walker, who will be joining the Board of Omega as a Non-Executive Director, brings a wealth of industry experience and contacts, having grown the Genesis-CNS business since 1994. In addition, the Directors intend to retain the entire team of senior management from the Genesis-CNS business.

Current trading and prospects of the Enlarged Group

Trading in Omega for the current year remains flat and the rationale for seeking to grow through acquisition is further underlined. Trading in Genesis-CNS has continued to grow and the Ongoing Directors are confident in the prospects of the Enlarged Group and believe it will be well placed to exploit the new product opportunities that exist with the microarray and macroarray diagnostic platforms and the launch of a new test for diagnosing HSV-2 infections.

Board

Upon Admission, the Directors will remain in their current positions and Dr Michael Walker will join the Board as a Non-Executive Director. Details of the proposed members of the Board of the Company following Admission are as follows:

David Evans, CA, Non-Executive Chairman

Aged 47, David Evans, has considerable experience within the diagnostics industry. As Financial Director he was a key member of the team that floated Shield Diagnostics Limited in 1993 and was Chief Executive Officer responsible for the merger of Shield Diagnostics Group plc with Axis Biochemicals ASA of Norway in 1999 to create Axis-Shield plc. In addition to his role as Non-Executive Chairman of Omega, he is also Non-Executive Chairman of BBI Holdings plc and Immunodiagnostic Systems Holdings plc, which are both AIM quoted medical diagnostic groups operating in different areas of the industry from Omega.

Andrew Shepherd, BSc.(Hons), Chief Executive Officer

Aged 51, Andrew Shepherd is the Founder and Chief Executive Officer of the Omega Diagnostics business. He became Chief Executive of the Company in September 2006, following its reverse takeover of Omega Diagnostics Limited. He has been involved in the medical diagnostics industry for the last 33 years.

He started his career in 1974 by holding technical positions at G.D. Searle Limited and then attended university, graduating with a Bachelor of Science in Biology. He then moved into a sales and marketing position at Cambridge Life Sciences plc in 1981, before establishing his first diagnostics company, Cambridge Biomedical Limited in 1982. In 1986 he moved to Scotland to join Bioscot Limited and shortly afterwards he established the Omega Diagnostics business.

Mr Shepherd used his technical experience and knowledge of exporting to oversee the growth of the export of Omega products to exceed £2 million per annum. Omega now exports to over 100 countries around the world, and he travels regularly to many of the countries in which Omega customers are based.

Mr Shepherd is an active member of a number of relevant trade associations and was a member of the Scottish Exports Forum, a body which reported to the Scottish Parliament to oversee and guide the export activity of Scottish Development International.

Mr Shepherd was also a member of the Bill & Melinda Gates Foundation's (BMGF) Global Health Diagnostics Forum, which provided direct guidance to BMGF in advising on future investments in worldwide diagnostics programmes for developing countries.

Kieron Harbinson, FCCA, Finance Director

Aged 42, Kieron Harbinson joined the Omega Diagnostics business in August 2002 as its Finance Director. He became Finance Director of the Company in September 2006, following its reverse takeover of Omega Diagnostics Limited. He is responsible for finance, information technology, human resources and operations planning.

Mr Harbinson joined Scotia Holdings plc in 1984. He qualified as an accountant in 1991, and became a Fellow of the Association of Chartered Certified Accountants in 1997. He was at the company for approximately 14 years, during which time he held various roles including Group Financial Controller and Chief Accountant. These roles enabled him to acquire a broad range of knowledge in a high growth technology company, and experience in corporate acquisitions, disposals and intellectual property matters. He also gained experience in various debt and equity transactions, and was involved in raising over £100 million for the company. He was also head of Tax and Treasury, responsible for a treasury programme of cash investments of over £50 million and management of currency exposures.

Mr Harbinson then joined Kymata Limited, a start up optoelectronics company as Finance Director. Over a period of 18 months, he was involved in raising approximately US\$85 million of venture capital funding. He was responsible for implementing financial controls and accounting systems, over which time the company grew to over 200 employees by the time he left in 2000. The company was sold in 2001 to Alcatel for €134 million. Before joining Omega, Mr Harbinson helped to establish a company called I-Genomics Limited, set up to exploit an opportunity licensing certain intellectual property from the University of Glasgow.

Michael Gurner, FCA, Non-Executive Director

Aged 62, Michael Gurner led the flotation of the Company on AIM and the acquisition of Omega Diagnostics Limited as Chairman and Chief Executive. He qualified as a Chartered Accountant in 1967, before embarking on a career in merchant banking with Keyser Ullmann, M&A with the Ryan Group of Companies and senior management, including as Managing Director of a fully Listed company, Continuous Stationery plc, an acquisitive business forms manufacturer between 1986 and 1991. During this time, he was responsible for acquisitions, including Prontaprint, the photographic print retail chain where he led the turn around of its performance in the ensuing 18 months.

Mr Gurner thereafter focused on turning around under-performing and ailing businesses, in association with Postern Executive Group Limited ("Postern"), a leading UK turnaround specialist which provided management teams for troubled companies. At Postern's request, he joined the board of several companies which were successfully turned around. Those beyond rescue are mentioned in paragraphs 2.8.1.1 and 2.8.1.2 of Part VII of this document. Successful assignments include Starmin plc in July 1994 (raising finance by way of a rights issue of £1.76 million in a £5.78 million fund-raising) and PSB Holding Limited, a pumped power plant business owned by the National Grid Company plc, where he negotiated in conjunction with Kleinwort Benson the sale of the business to a US buyer (Mission Energy of California) for around £600 million when the original guide price was around £300 million.

Michael Walker, BSc(Hons), PhD, Non-Executive Director

Aged 60, Michael Walker graduated in Biochemistry at Strathclyde University in Glasgow. Dr Walker worked as a hospital biochemist in the National Health Service and carried out research on the involvement of steroid hormones in male infertility. Dr Walker completed his PhD at the Department of Medicine, University of Glasgow in 1976 and later gained a marketing qualification from the Richard Ivey Business School in Canada.

Dr Walker also filled marketing and sales roles with Serono Diagnostics Limited in Switzerland.

Dr Walker founded Genesis in 1994 with the aim of introducing new diagnostic test kits and reagents. Dr Walker founded CNS in 2001 with the aim of providing food intolerance tests and other pathology services direct to both the medical industry and to patients. CNS developed the UK's first IgG food intolerance test which used finger prick blood sampling.

Employees, pensions and incentivisation

As at 31 March 2007, Omega employed 22 staff in total, all of whom are based at Omega's premises at Alva, Scotland. Omega operates defined contribution pension schemes for certain of its Directors and employees. In respect of Andrew Shepherd and Kieron Harbinson, Omega contributes 5 per cent. of pensionable salary. In respect of certain other employees Omega contributes 5 per cent. on condition that the employee also contributes not less than 5 per cent.

As at 31 March 2007, Genesis-CNS employed 25 staff in total, all of whom are based at Genesis-CNS's premises in Ely. Genesis-CNS makes contributions to the directors private personal pension arrangements. All employees of Genesis-CNS are offered access to a designated stakeholder pension scheme operated by Norwich Union. Genesis-CNS will match employee contributions up to a maximum of 3 per cent.

It is intended that the adoption of the Share Option Scheme, to be effected by the passing of Resolution 5 to be proposed at the EGM, will allow the ongoing Directors to provide long term incentivisation arrangements for all staff.

Corporate governance and internal controls

As an AIM-quoted company, the Company is not obliged to, and does not currently, comply fully with the corporate governance regime in the UK, as set out in the Combined Code on Corporate Governance.

Following Admission, the Company intends to comply with the Combined Code on Corporate Governance, so far as is practicable and appropriate for a public company of its size and nature.

The Company has established an audit committee and a remuneration committee. The remuneration committee comprising of Michael Gurner as Chairman and David Evans will determine the terms and conditions of service of the Executive Directors, including their remuneration and grant of options. The audit committee comprising of David Evans as Chairman and Michael Gurner will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Enlarged Group is properly measured and reported on, and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. Such committees were established in August 2006.

The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings as applicable to AIM companies and will also take all necessary steps to ensure compliance by the Company's applicable employees. The Company has adopted a share dealing code which is appropriate for an AIM-quoted company, for this purpose.

International Financial Reporting Standard ("IFRS")

Omega has prepared its consolidated financial statements in accordance with IFRS as adopted by the European Union and implemented in the UK. Omega's last reporting period was the year ended 31st March 2007 in which there are a number of transactions that were accounted for in the consolidated financial statements under IFRS as follows:

2006 Acquisition and Goodwill

Details of the 2006 Acquisition are set out in paragraph 2 of part VII of this document. On 19 September 2006, Omega completed the acquisition of Omega Diagnostics Limited ("ODL"). Under IFRS3 Business Combinations, the Directors believed that ODL should be identified as the acquirer as it had the power to govern the financial and operating policies of the then enlarged group through the appointment of its directors onto the Omega board and through the ongoing equity interests in Omega of the ODL shareholders. Accordingly, the 2006 Acquisition was treated as a reverse acquisition.

As set out in IFRS3 B9, the cost of the business combination was 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 was accounted for as goodwill. Goodwill arising on the 2006 Acquisition was calculated at approximately £244,000. As Omega had minimal net assets and no inherent operations or trade at the time of the acquisition, there was no underlying cash generation to support the carrying value of goodwill. Accordingly, the Directors were of the opinion that the

goodwill arising from the 2006 Acquisition would appear to have been impaired and was therefore immediately written down.

2006 Earn Out

Details of the 2006 Earn Out are set out in paragraph 2.10.8 of part VII of this document. The 2006 Earn Out is for a maximum amount of £1.788 million to be met entirely by the issue of Existing Ordinary Shares in Omega. The number of Existing Ordinary Shares to be delivered depends upon the five-day average closing mid-market price prior to publication of the relevant audited results and accordingly will give rise to a variable number of Existing Ordinary Shares being delivered. The 2006 Earn Out is considered to be a contract to be settled by delivery of Omega's own equity instruments the accounting for which is determined by International Accounting Standard 32 ("IAS32").

Under IAS32, a contract that will be settled by the delivery of a variable number of equity instruments so that the fair value of the equity instruments to be issued equals the amount of the contractual obligation is a financial liability. The liability to be recognised should be the present value of the consideration expected to be payable. At initial recognition, the quantum of liability to be recognised will depend upon managements' expectation, at that date, of the amount that would ultimately be payable with any changes in expectation being reflected through the Income Statement. The Directors reviewed the position and were of the opinion that an earn-out amount of £770,000, discounted to a present value of £705,112 should be recognised as a liability in the accounts to 31 March 2007 with a corresponding charge to the Income Statement. When Existing Ordinary Shares are finally issued in settlement of the 2006 Earn Out, the liability will be extinguished with equity being recognised for the same amount.

Andrew Shepherd Deferred Salary Arrangement

Details of the Andrew Shepherd Deferred Salary Arrangement entered into on 23 August 2006 are set out in paragraph 2 of part VII of this document. In February 2007, Andrew Shepherd waived his rights under this agreement. Under IFRS2 Share Based Payments if an entity has granted the counterparty the right to choose whether a share based payment transaction is settled in cash or by issuing equity instruments, the entity has granted a compound financial instrument, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash).

In this case, the fair value of the debt component was the present value of the deferred salary (£104,000) whilst the fair value of the equity component was that calculated under the normal equity settled IFRS2 methodology. The Directors have calculated the fair value of the debt component to be approximately £91,000 and the fair value of the equity component to be approximately £34,000. As there was no future service requirement and despite the waiver of rights the equity component cost of approximately £34,000 has had to be charged to the Income Statement.

David Evans Warrant

Details of the David Evans Warrant entered into on 23 August 2006 are set out in paragraph 2 of part VII of this document. In February 2007, David Evans waived his rights under this agreement. The warrants were issued to David Evans in his capacity as Non-Executive Chairman and, therefore, he was in receipt of an employee share based payment. Accordingly, the transaction should be accounted for under IFRS2 Share based payments. This transaction takes the form of an equity-settled share based payment transaction and should be measured at fair value using a grant date model. The cost of the award would normally be recognised over the relevant service period.

Under IFRS2, the cost of the award to an employee is the fair value of the equity instrument awarded as at the date of grant. This comprises the intrinsic value of the instrument (share price less exercise price) and a time value. The time value of an option arises from the time remaining to expiry and will take into account share volatility, time period remaining, dividend yield and the risk free rate of return. This is usually calculated using an option-pricing model. The Directors have calculated that the fair value of the cost of this award from the date of grant to 31 March 2007 would have been approximately £32,000. However, due to the waiver of rights, the entire cost of approximately £93,000 has had to be charged immediately to the Income Statement.

The Placing

The Company proposes to raise approximately £2.2 million by the allotment and issue of 7,333,333 New Ordinary Shares at the Placing Price pursuant to the Placing. The Placing Shares will represent approximately 49.3 per cent. of the Enlarged Issued Share Capital of the Company on Admission. The net proceeds of the Placing, together with the £1.2 million loan from Bank of Scotland, will be used to provide funds for the Acquisition.

Pursuant to the Placing Agreement, Teather & Greenwood has conditionally agreed to use its reasonable endeavours to place with investors, the Placing Shares, at the Placing Price. A summary of the principal terms of the Placing Agreement is set out at paragraph 2 of Part VII of this document.

The obligations of Teather & Greenwood under the Placing Agreement are conditional, among other things, upon:

- (a) the Placing Agreement becoming or being declared unconditional in all respects and not being terminated before 8.00 am on 31 August 2007 (or such later time and date, being not later than 8.00 am on 17 September 2007, as Teather & Greenwood and the Company may agree); and
- (b) Admission.

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. Dealings on AIM are expected to commence on 31 August 2007 in respect of the First Admission and 3 September 2007 in respect of the Second Admission.

Details of the Capital Reorganisation and the Share Consolidation

Capital Reorganisation

The nominal value of each Existing Ordinary Share is 1p which is higher (before reorganisation and consolidation) than the Placing Price of 30p (0.75p before reorganisation and consolidation) per Placing Share. Under company law the Company is prohibited from issuing shares for consideration at less than nominal value.

In order to remedy this problem it is proposed to implement the Capital Reorganisation pursuant to which it is proposed that each Ordinary Share will be divided into one Intermediate Ordinary Share with a nominal value of 0.1p and one Deferred Share with a nominal value of 0.9p. The Intermediate Ordinary Shares created will have the same rights (including voting and dividend rights and rights on a return of capital) as the Existing Ordinary Shares. The Deferred Shares created by the Capital Reorganisation will be non-voting, carry no right to participate in any future dividend, have a minimal entitlement to share in the Company's capital and will not be listed or quoted on any recognised investment exchange. They will be effectively valueless. No share certificates will be issued in respect of the Deferred Shares. The necessary amendments to the articles of association of the Company to effect the Capital Reorganisation are set out in full in the Resolutions.

Share Consolidation

The Directors are proposing that the Intermediate Ordinary Shares are then consolidated on the basis of 1 New Ordinary Share for every 40 Intermediate Ordinary Shares held at the Record Date, to be effected by the passing of Resolution 3 in the Notice of EGM.

Upon implementation of the Share Consolidation, Shareholders on the register of members of the Company at the close of business on the Record Date, which is expected to be 30 August 2007, will have 40 Intermediate Ordinary Shares consolidated into 1 New Ordinary Share and so in proportion for any other number of Intermediate Ordinary Shares then held. New Ordinary Shares arising on implementation of the Share Consolidation will have the same rights as the Existing Ordinary Shares, including voting, dividend and other rights. New share certificates will, where relevant, be issued in respect of the New Ordinary Shares in issue and certificates for the Ordinary Shares will be cancelled.

No Shareholder will be entitled to a fraction of a New Ordinary Share and where, as a result of the consolidation of Intermediate Ordinary Shares described above, any Shareholder would otherwise be entitled to a fraction only of a New Ordinary Share in respect of their holding of Existing Ordinary Shares at the Record Date (a "**Fractional Shareholder**") such fractions shall be aggregated with the fractions of

New Ordinary Shares to which other Fractional Shareholders of the Company may be entitled so as to form full New Ordinary Shares and sold.

The Directors will be authorised to sell New Ordinary Shares arising from fractional shareholdings on behalf of the Company in the market as soon as reasonably practicable following the passing of the Resolution for the best price then reasonably available for those shares.

It is intended that, prior to the Record Date, the Company shall issue to the Chairman such number (not to exceed 39) of new Intermediate Ordinary Shares as are required to increase the issued share capital of the Company on the Record Date to a number divisible by 40. These shares will be issued at a price no less than their mid-market value on the date preceding the date of issue.

Capital Reduction

The Directors will give consideration after Admission to the need for a Capital Reduction to cancel the Deferred Shares.

Overall Effect on Capital

The effect of the Share Consolidation and the Capital Reorganisation, and the other Proposals on the Company's authorised and issued ordinary share capital will be as follows:

Amount	Number	Authorised			Amount	Number	Issued and fully paid		
		ordinary shares of	Number	Deferred shares of			ordinary shares of	Number	Deferred shares of
£8,500,000	184,769,736	4p each	123,245,615	0.9p each	£595,028	14,875,693	4p each	123,245,615	0.9p each

Key points consequential on the Capital Reorganisation

- Dealings in Existing Ordinary Shares will cease on 30 August 2007 and dealings in New Ordinary Shares will commence on 31 August 2007 in respect of the First Admission and 3 September 2007 in respect of the Second Admission;
- Settlements effected on or after 31 August 2007 of bargains made before that date will be in New Ordinary Shares;
- For Shareholders holding their shares in certificated form, new share certificates will be despatched (at the risk of the addressee) in respect of New Ordinary Shares by no later than 17 September 2007;
- For Shareholders holding shares in uncertificated form, the relevant number of New Ordinary Shares will be credited to their existing stock accounts on 31 August 2007, in place of their Existing Ordinary Shares.

Principal terms of and conditions to the Acquisition

The Vendors and the Company have entered into the Acquisition Agreement, pursuant to which the Company will acquire the entire issued share capital of each of CNS and Genesis. The maximum consideration payable by the Company to the Vendors will be £6.7 million and it will be payable as follows:

- (a) as to £3.2 million payable in cash at Completion (£2.9 million net of the cash anticipated to be on Genesis – CNS' balance sheet at Completion);
- (b) the issue of Consideration Shares at the Placing Price not to exceed the lesser of £1.4 million or 29.99 per cent. of the Enlarged Issued Share Capital; an amount in cash equal to the difference between the value of the Consideration Shares at the Placing Price and £1.4 million payable one year after Completion;
- (c) as to £1.1 million pursuant to the terms of a loan note to be issued by the Company at completion, further details of which are set out in paragraph 2.10.7 of Part VII;
- (d) as to an amount of up to £1 million, to be paid in cash, being an amount equal to 7 per cent. of income (i) invoiced during and (ii) received by Genesis-CNS within 3 months after the end of each year of the Earn Out Period or within the Earn Out Period by Genesis-CNS in respect of the sale of Genesis Products and CNS Products in each year of the Earn Out Period.

The Consideration Shares will, when issued, rank equally with the New Ordinary Shares.

Completion of the Acquisition is conditional, among other things, upon:

- (a) Admission; and
- (b) the passing by the Shareholders of the Resolutions.

If the Resolutions are duly passed by Shareholders at the EGM and other conditions set out in the Acquisition Agreement are met, trading in the Existing Ordinary Shares on AIM will be cancelled and the Enlarged Issued Share Capital will be admitted to trading on AIM, with dealings expected to commence on 31 August 2007 in respect of the First Admission and on 3 September 2007 in respect of the Second Admission.

Lock-in arrangements

Each of Andrew Shepherd, Kieron Harbinson, Michael Gurner, David Evans and ECS International Trustees (Gibraltar) Limited have undertaken that, subject to certain limited exceptions, they will not sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in New Ordinary Shares held by them respectively until after the publication of the Enlarged Group's results for the year ended 31 March 2008. In addition each of Andrew Shepherd, Kieron Harbinson, Michael Gurner, ECS International Trustees (Gibraltar) Limited have agreed that any sale or disposal of New Ordinary Shares for a further period of 12 months, will be effected through Teather & Greenwood and with its consent so as to maintain an orderly market in the Company's shares.

Admission to AIM

The Share Consolidation is conditional upon the New Ordinary Shares being admitted to trading on AIM. Application for such Admission will be made so as to enable the New Ordinary Shares to be admitted to trading on AIM as soon as practicable following the Record Date. It is expected that the First Admission will become effective at 8.00 am on 31 August 2007 whereupon the Share Consolidation will be effective and that Second Admission will become effective at 8.00 am on 3 September 2007.

Settlement

If you hold a share certificate in respect of your Existing Ordinary Shares in the Company, your certificate will no longer be valid from the time the proposed Share Consolidation becomes effective. If you hold 40 or more Existing Ordinary Shares on the Record Date you will be sent a new share certificate evidencing the New Ordinary Shares to which you are entitled under the Share Consolidation. Such certificates are expected to be despatched no later than 17 September 2007 by first class post at the risk of the Shareholder. Upon receipt of the new certificate, you should destroy any old certificate(s). Pending the despatch of the new certificates, transfers of certificated New Ordinary Shares will be certified against the Company's share register.

If you hold your Existing Ordinary Shares in uncertificated form, you should expect to have your CREST account credited with the New Ordinary Shares to which you are entitled on implementation of the Share Consolidation on 31 August 2007 or as soon as practicable after the Share Consolidation becomes effective.

CREST

Application will be made for the New Ordinary Shares to be admitted to CREST upon Admission. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place through CREST. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates may do so.

Dividend policy

It is the Ongoing Directors' intention for the Company to achieve capital growth and the Directors believe it is inappropriate to attempt to predict the likely level or timescale for the declaration and payment of dividends by the Company. However, as soon as it becomes commercially prudent to declare dividend payments and subject to the then availability of sufficient distributable reserves for the purpose, the Ongoing Directors intend to do so.

Taxation

General information relating to UK taxation in relation to the Placing and Admission is set out in paragraph 7 of Part VII of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the UK, you should consult your own professional adviser immediately.

Enterprise Investment Scheme, Corporate Venturing Scheme and Venture Capital Trusts

On the basis of information provided to HMRC, HMRC has given provisional confirmation that the Company will comply with the requirements of Schedule 28B of ICTA 1988 and that the New Ordinary Shares will be eligible shares for the purposes of venture capital trusts, subject to the overall qualifying limits. The status of the New Ordinary Shares as a qualifying holding for VCT purposes will be conditional, among other things, upon the Company continuing to satisfy the relevant requirements.

HMRC has granted the Company provisional approval, on the basis of information supplied, that New Ordinary Shares to be issued under the Placing should be eligible for EIS purposes, subject to the overall qualifying limits and the submission of the relevant claim form in due course. Such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his own circumstances and is subject to holding the shares throughout the relevant three year period. In addition, for EIS Relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to those shares.

HMRC has also granted the Company provisional approval, on the basis of information supplied, that New Ordinary Shares to be issued under the Placing should be eligible for CVS purposes, subject to the overall qualifying limits and the submission of the relevant claim in due course. Such a claim by the Company does not guarantee CVS qualification for an investor company, whose claim for relief will be conditional upon its own circumstances and is subject to the date of disposal of the shares. In addition, for CVS Relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to those shares.

Extraordinary General Meeting

You will find set out at the end of this document a notice convening an extraordinary general meeting of the Company to be held at the offices of Brodies LLP, at 15 Atholl Crescent, Edinburgh EH3 8HA at 11.30 on 30 August 2007 at which the Resolutions will be proposed for the following purposes:

1. Approval of The Acquisition;
2. Approval of the Capital Reorganisation and certain amendments to the Articles of Association;
3. Approval of the Share Consolidation;
4. Approval of the increase in authorised capital and authorisation of directors to allot shares;
5. Approval of the Share Option Scheme.

To be passed, Resolutions 1, 3 and 5 require a majority of not less than 50 per cent. of the Shareholders voting in person or by proxy and Resolutions 2 and 4 require a majority of 75 per cent. or more of the Shareholders voting in person or by proxy. Resolutions 1, 3 and 5 are Ordinary Resolutions and Resolutions 2 and 4 are Special Resolutions.

Risk factors

Your attention is drawn to the risk factors set out in Part III of this document. Potential investors should, in addition to all the other information set out in this document, carefully consider the risks described in Part III before making a decision to subscribe for New Ordinary Shares in the Company.

Further information

Your attention is drawn to the additional information set out in Parts II to VII (inclusive) of this document.

Action to be taken

A Proxy Form is enclosed for use by Shareholders at the EGM. Whether or not Shareholders intend to be present at the EGM, they are asked to complete, sign and return the Proxy Form to the Company's Registrars, Share Registrars Ltd., Craven House, West Street, Farnham, Surrey GU9 7EN, as soon as possible but in any event so as to arrive no later than 11.30 am on 28 August 2007. The completion and return of a Proxy Form will not preclude a Shareholder from attending the EGM and voting in person should they wish to do so.

Recommendation

The Directors unanimously recommend all Shareholders to vote in favour of the Resolutions, as the Directors have irrevocably undertaken to do in respect of their own beneficial shareholdings, which amount in aggregate to 37,324,976 Ordinary Shares (representing approximately 30.29 per cent. of the Ordinary Shares currently in issue).

The Directors, who have been so advised by Teather & Greenwood, consider the Transaction to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole. In providing its advice to the Board, Teather & Greenwood has taken into account the commercial assessments of the Directors.

Yours sincerely

David Evans
Non-Executive Chairman

PART II

FURTHER INFORMATION ON GENESIS-CNS AND OMEGA

History – Genesis-CNS

Genesis

Genesis was established in 1994 to develop and manufacture diagnostic test kits. By 1995, Genesis had developed and sold an EIA test for antibodies to *Helicobacter pylori* bacteria, a causative factor in gastric and duodenal ulcers. Genesis was also exporting to the Ministry of Health in Canada, and had begun development of test kits for the detection of antibodies to food proteins. In the last two years Genesis has invested in microarray and macroarray technology to study its application to food intolerance and other clinical tests.

By concentrating on EIA technology, Genesis has been able to carve out a profitable business, growing organically, reaching a turnover of 1.9 million and a pre-tax profit of £238,103 in the financial year ended 31 October 2006. During the 31 October 2006 financial year, approximately 87 per cent. of sales were attributed to export markets.

CNS

CNS was established in 2001 to offer food intolerance tests and other clinically relevant laboratory analyses to medical practitioners and direct to the general public. Individuals, either through their practitioner or directly, submit a sample of blood, urine or faeces, which is analysed primarily utilising Genesis-CNS test kits. This company has grown rapidly over the last six years, reaching a turnover of £289,563 and a pre-tax profit of £79,474 in the financial year ended 31 October 2006. CNS developed its website and promotional literature to increase sales. Products can now be purchased from CNS directly through its website. In 2006 CNS hired a PR company and market consultant in order to raise the profile of food intolerance testing and the Food Detective® test. In April 2007 Genesis-CNS received CE Mark approval for the Food Detective® test to be used for self testing by the general public. This opens up a significantly larger market place. The Ongoing Directors believe that the development of the macro and microarray technology will allow the Enlarged Group to significantly expand the product range and services in the future.

History – Omega

The Omega business was formed in December 1987 to exploit opportunities in IVD testing for infectious diseases based on the extensive technical and marketing knowledge of its founder, Andrew Shephard. The Omega business grew organically until the financial year ended 31 March 2003 when sales reached £2.6 million.

Earnings have been largely reinvested in the business including new product development. The funds available have allowed Omega to launch new tests for Tuberculosis (TB), Dengue Fever, Chagas Disease as well as the recent development of a new test for Herpes Simplex Virus 2 (HSV 2).

In the financial year ended 31 March 2003, due to increasing costs, the Omega business became loss making. The Omega business strengthened its senior management team in 2002 with the recruitment of Kieron Harbinson and undertook a major restructuring. The Omega business reversed a pre-tax loss of £174,126 in the year ended 31 March 2005 to a pre-tax profit of £197,722 in the year ended 31 March 2006. In September 2006, the Omega business was acquired by AIM-quoted Quintessentially English PLC, which subsequently changed its name to Omega Diagnostics Group PLC. In the year ended 31 March 2007 the business made a pre-tax loss of £1.1 million. The Directors stated that their strategy would focus on making selected acquisitions of companies in the IVD market meeting their selection criteria.

Products developed and manufactured by Genesis-CNS

Genesis-CNS has established a line of 80 test kits for investigation of disease and food intolerance of which the latest three were added in 2007. The majority of Genesis-CNS diagnostic kits are based upon the EIA

technique and all products for sale in the EEC are CE marked. The four main sectors of the diagnostics market which the Genesis-CNS products serve are as follows:

1. *Food intolerance related pathologies*

Certain food intolerances are caused by an immune response associated with a food molecule. Detection of these antibodies can be helpful in managing food intolerance and the associated symptoms. The Genesis-CNS products detect IgG antibodies to food proteins, which are characteristic of disease states such as Celiac Disease and Crohn's Disease.

2. *Autoimmune diseases*

Autoimmune diseases are caused by the body's immune system attacking healthy cells, organs, or tissues in the body. The Genesis-CNS products detect antibodies produced by the patient in response to various disease states including, microarterial diseases, connective tissue diseases, liver disease, rheumatoid arthritis and thyroid disease.

3. *Infectious diseases*

The Genesis-CNS products detect antibodies relevant to the diagnosis of the following infectious diseases:

- *Helicobacter pylori* – a bacteria which is a causative factor in gastric and duodenal ulcers, gastric cancer and other forms of gastritis.
- *Candida albicans* – a yeast-like organism that is found in the human gut, the overgrowth of which can lead to an immunological response.
- *Pseudomonas aeruginosa* – a bacteria that is considered to be significant in hospital acquired infections.

4. *Control Sera*

Genesis-CNS also produces and markets a range of control sera, which are blood-based products, derived from individuals. Such quality control materials have wide applicability in clinical laboratories throughout the world, for monitoring the performance of test procedures.

Products developed and manufactured by Omega

Omega has established a line of 95 different test kits for the detection of infectious diseases and other clinical conditions. The test technologies utilised are based on agglutination, EIA, rapid testing and fluorescence which provide for a wide diagnostic utility in the geographical markets served.

Broadly, Omega's product range fits within the infectious disease/immunoassay/blood bank screening segments of the IVD market. Omega is an established business in the medical diagnostics market serving markets for a small number of diseases. The majority of the products are CE Marked.

The two main sectors of the diagnostics market which the Omega products serve are as follows:

1. *Infectious diseases*

The Omega products detect either the infectious disease agents, such as bacteria or viruses (antigens), or antibodies produced in response to infections.

The main infectious disease detected using Omega products is Syphilis but other available tests also detect Tuberculosis, Dengue Fever, Chagas Disease, and Malaria, which are major causes of disease morbidity worldwide.

2. *Non-Infectious Disease*

Various other clinical conditions are detected or monitored by products produced by Omega.

The main Omega products in this section include pregnancy tests and tests for detecting antibodies and antigens produced in response to non-infectious conditions such as rheumatoid arthritis and other inflammatory conditions. Omega also produces a range of products to detect and monitor various cancers and hormones associated with a variety of diseases.

Sales and marketing

Genesis-CNS

Genesis-CNS now exports over 75 per cent. of its production. Genesis-CNS sells its products through a network of exclusive distributors in 27 countries. These distributors purchase products in their own right and then distribute them to the clinical laboratories in their countries. In the UK, Genesis-CNS sells direct into several specialist/reference laboratories. At present, UK sales represent over 20 per cent. of the total sales value.

Genesis-CNS also supplies other IVD companies on an OEM basis with several products and these are then sold under the OEM customers' label. This represented 4 per cent. of sales in the financial year ended 31 October 2006. Genesis-CNS's geographical market coverage is wide but dominated by Australia, Spain, Italy and Iran, which together account for over 65 per cent. of turnover. In 2006, Australian exports accounted for nearly 20 per cent. of the total sales.

Genesis-CNS also sells products to customers through its internet website.

The most frequently used marketing methods by Genesis-CNS are attendance at exhibitions, advertisements of Genesis-CNS products and through its internet website.

Omega

Omega sells its products through a network of exclusive and non-exclusive distributors in over 100 countries. These distributors purchase products in their own right and then distribute these products to the clinical laboratories in their countries. In addition, Omega also sells directly to several Ministries of Health in countries which favour international tenders over local supply contracts.

Omega also supplies other IVD manufacturers on an OEM basis with several products and these are then sold under the OEM customers' label. This represented approximately 11.9 per cent. of sales in the year ended 31 March 2007.

In the UK, Omega sells directly into several specialist/reference laboratories but the coverage is not extensive. Less than 5 per cent. of Omega's sales occur in the UK, the majority being to third party IVD companies as OEM sales.

Omega's largest distributor by sales value in the year ended 31 March 2007 was GlaxoSmithKline, India, accounting for approximately 9.7 per cent. of Omega's sales in that financial year.

Omega currently has no sales into the US and Japanese markets. Omega does not currently hold regulatory approval from the US Food and Drug Administration (FDA) for either products or facilities. However, the US sales potential for the new HSV2 test is such that the Directors consider that this market is a prime target, albeit that application for FDA regulatory approval would need to be made beforehand.

The IVD market

Overview

In 2004, the global IVD market was estimated at US\$27.7 billion, with the immunoassay/infectious disease/blood bank screening market worth approximately US\$5.4 billion. This market is forecast to rise to approximately US\$8 billion by 2008. Immunoassays have become a widely accepted technique in the field of clinical diagnosis of disease.

The IVD industry is a global one. In 2003, the North American Market was the largest of the regional markets accounting for approximately 43 per cent. of the total market. Western Europe was the second largest market (31 per cent.), followed by Japan (11 per cent.). However, the 'Rest of World' (ROW) region was one of the fastest growing markets with annual growth rates in excess of 10 per cent. forecast to 2008.

There has been a significant degree of consolidation in the IVD market over recent years. The Directors believe that, based on 2003 data, approximately 90 per cent. of the global market is shared by 10 companies while the remaining 10 per cent. of the market is shared by approximately 200 companies with sales ranging from under \$5 million to about \$300 million. A number of companies are thought by the Directors to be achieving success in the IVD marketplace by focussing on high growth niches.

Merger and acquisition strategies are being followed by many of the major players and those aspiring to become the major players through acquisitive growth. A recent example of this is the acquisition by the Medical Solutions Group of Siemens AG of Diagnostic Products Corporation for approximately US\$1.86 billion and Bayer Diagnostics for €4.2 billion which now makes Siemens a top 10 player in the IVD industry. Smaller companies are also growing rapidly through acquisition and one particular example is Trinity Biotech plc ("Trinity") which is listed on NASDAQ and the Irish Stock Exchange. Trinity was formed in 1992 as a small IVD company and has grown to have sales of approximately US\$120 million by 2006 and a market value of approximately US\$214 million as at 20 June 2007.

Recent changes in legislation relating to IVD products have increased regulatory requirements for markets in a number of countries, most notably North America and Europe with the coming into force of the IVD Directive and CE Mark certification. This has had the effect of increasing the barrier to entry for new market entrants.

The Directors believe that technology has been a key driver of the IVD market and further changes are inevitable, but these are not expected to adversely affect those sectors of the market being addressed by Omega and Genesis-CNS. They believe that new technologies rarely displace existing technologies in the IVD market. An example of this is radioimmunoassay technology which was superseded by EIA technology. This market still had a value of approximately US\$300 million in 2003 and is still expected to be worth approximately US\$290 million in 2008.

At the current sales levels for the existing Omega and Genesis-CNS product ranges, the Enlarged Group will have a very small share of the IVD market. The potential therefore exists, given adequate resources and skilled management, to greatly expand this business in the future.

Food intolerance

In recent years, the concept of food intolerance testing has become firmly embedded in popular science. Many publications carry stories of people who have had their lives improved significantly as a result of identifying their particular problem foods.

Genesis-CNS developed the first UK IgG food intolerance test. This test uses finger prick blood samples and is supplied to medical practitioners in kit form to allow them to offer services to clients. The market for such testing has grown in recent years and competitors have entered the market.

In April 2007, the Food Detective® test achieved CE Mark approval for Self-Test status which allows the product to be used by the general public. The Food Detective® test was launched at The Allergy Show in Olympia, London in June 2007.

The market size is very difficult to estimate but the Directors believe that the potential for the Genesis-CNS food intolerance/allergy product range is large. To illustrate the potential market size, Phadia AB, headquartered in Uppsala, Sweden, claims to be the world leader in allergy diagnostics. Sales for that group in 2005, which also included autoimmunity diagnostics, were approx. SEK 2400 million, equivalent to approximately £174 million as at 1 March 2007.

Autoimmune diseases

Autoimmune diseases comprise 80 or more chronic disabling diseases that affect almost every organ system in the body. For example, autoimmune diseases have been described in the nervous, gastrointestinal and endocrine systems, skin, skeletal and vascular tissues. In some diseases, such as rheumatoid arthritis, antibodies can be produced before the disease presents itself.

It has been estimated by a leading healthcare market research organisation that the total European autoimmune disease diagnostics market was worth US\$440 million in 2004 and they predict that it may

reach almost US\$700 million by 2011. One cause for this considerable growth has been increasing government spending on healthcare, which is fuelling the growing demand for better healthcare services.

The field of autoimmune diagnostics is growing due to two main factors:

1. Research has identified many diseases that are autoimmune disorders which are under-diagnosed. Celiac Disease is such an example.
2. Availability of therapeutics for many of the autoimmune disorders places emphasis on autoimmune diagnostics, as the early identification of these disorders will help better to control the disease, for example the use of Citrullinated Protein Antibody ("CPA") tests in the diagnosis of rheumatoid arthritis.

Infectious diseases

Syphilis

Apart from AIDS, Syphilis is the most deadly sexually transmitted disease (STD). It is prevalent throughout the world and especially the less developed nations although the US is also showing an increase in the number of reported cases. Omega currently sells over 40 million tests per annum, generating in excess of £600,000 in sales revenue. Omega has also worked closely with the World Health Organisation (WHO) over many years in developing new diagnostic tests that can be used in resource poor settings. The Directors believe that considerable further sales growth is possible in this area.

Tuberculosis

The WHO estimates that, overall, one third of the world's population is currently infected with TB with deaths estimated at 1.7 million in 2004. The disease, however, is very complex, and no single test provides a definitive result. Compared to alternative products that require a longer time to perform, Omega's tests take less than two hours to perform and provide a valuable aid in diagnosing this complex disease. Omega's largest market for this product is India.

Dengue Fever

This is a mosquito-borne infection which is rapidly developing into a major public health concern. 2,500 million people are now at risk from the disease, and the WHO estimates that there may be 50 million cases of Dengue infection worldwide each year. Omega's tests have been well received since their launch in 2000 and Omega was very active during the last epidemic outbreak in Brazil in 2001/02.

Chagas Disease

Restricted to Latin America, the market for this parasitic disease test is substantial with infections estimated at 16-18 million cases. Approximately 120 million people, representing 25 per cent. of the inhabitants of Latin America, are at risk of contracting the infection. Omega has been active in the Latin American market for many years and has secured contracts with multinational diagnostic companies such as Dade-Behring and DiaSorin in addition to its own distributor base.

Malaria

There are at least 500 million cases of malaria each year globally, resulting in more than a million deaths. Around 90 per cent. of these deaths occur in Africa, mostly in young children. Omega currently promotes a 15 minute Rapid Test that allows the user to test patients in resource poor settings, but Omega's current cost of manufacture prevents the wider scale uptake of these tests in donor assisted aid programmes. The Directors believe that the potential sales for this product are substantial since the World Bank is funding control programmes to the level of several hundred million dollars over a 5 year period through its Malaria Booster Programme. The Directors believe that the lowering of the manufacturing cost of this Rapid Test product is a key target for the Company going forward and efforts have continued to identify ways to achieve this goal.

Diagnostic platforms

Agglutination

Many of Omega products utilise Agglutination technology which provides the user with an easy to use manual test technology generating qualitative results. These tests can usually be carried out in less than 15 minutes. None of the tests require expensive equipment and this, together with their ease of use, allows them to be used in most laboratories around the world, even in resource poor countries.

Microplates

A number of the Omega product range and historically, all Genesis-CNS diagnostic kits have been based upon the microplate platform. A microplate consists of a polystyrene base containing 96 sample wells. Each well is pre-coated with a marker to detect antibodies to a single type of antigen. To this a number of reagents and the patient's sample are added to elicit a chromogenic signal. Interpretation of the results is based upon optical density and can be either qualitative or quantitative.

Macroarrays

Genesis-CNS has developed a new platform on which to conduct diagnostic tests which allows multiple antibodies to be detected in a single assay, the macroarray. The macroarray is a plastic dish with 48 defined reaction areas. Each reaction area is pre-coated with a marker for antibodies to a different antigen. Similar to the microplate method, the patient's sample and a series of reagents are added to produce a positive or negative result which can be interpreted with the human eye and without the need for specialised equipment. The macroarray is currently being produced as a food intolerance test, called the Food Detective®, which can identify antibodies associated with 59 different food types. The Food Detective® is currently sold to medical professionals and has recently been approved for sale to the general public. A 16 well version has also been recently developed which will have further applications in the food intolerance testing area.

Microarrays

By 2005 Genesis-CNS had begun development of a third diagnostic platform, the microarray. The microarray is initially being utilised as a food intolerance test (the Genarrayt®) and the first sale took place in January 2007. The microarray is derived from an established research procedure and is based upon a specially prepared glass slide coated with food proteins. Each microarray slide can simultaneously test up to 16 patient samples and each sample can be tested for hundreds of antibodies against food proteins. The Genarrayt® antibody detection system screens for 200+ antibodies in a human serum sample.

Future Strategy

New products

The Ongoing Directors believe most competitors view the future of the IVD market in terms of the automation of existing EIA microplate based protocols. The automation of EIA microplates allows many samples to be tested for a single analyte. The Ongoing Directors have an alternative strategy of providing a testing protocol that will allow many samples to be tested simultaneously for many analytes, based around the macroarray and microarray platforms.

In respect of the macroarray platform, in particular the Food Detective® assay, now that it is CE marked the Company can sell the product directly to the general public. The Food Detective® assay was announced at The Allergy Show held at Olympia, London in June 2007. In gaining CE Mark status, the Food Detective® assay is able to be marketed throughout the European Union (EU) and the Ongoing Directors plan to commence marketing the product throughout the EU following Admission. Development is also planned on a macroarray based autoimmune detective kit, designed for the "doctor's office", which is expected to be launched in 2008.

The Ongoing Directors will pursue a similar strategy in respect of the microarray platform and apply the techniques to an autoimmune screening system in 2007. The Enlarged Group already has one competitor in this area, Whatman. The Ongoing Directors do not consider this to be a threat to the Enlarged Group as Whatman is not known as a diagnostics company and supplies mainly the research market.

The Genarrayt® detection system has the ability to be used in a wide variety of applications where ‘multiplexing’ i.e. testing for a large number of analytes simultaneously on a single serum sample, can confer a competitive advantage. Such test areas for future development could include tests for Food Additives – the so called ‘E’ factors, Cytokines (inflammatory markers), Tissue Typing panels for matching donor organs and numerous infectious diseases, some of which may include diseases already covered by the Omega product range.

The Omega business is also developing a test for the *Herpes Simplex Virus 2 (HSV 2)*. This development has resulted from intellectual property exclusively licensed from the Medical Research Council (MRC) based on work undertaken at the Institute of Virology in Glasgow. There are two patents which cover (a) the enabling technology to develop the test and (b) the actual test itself. A patent has already been granted in Europe for the enabling technology and in the US for the test, with others in the late stage of their prosecution. The first test to be developed using this technology is planned to be launched in the first half of the 2007/8 financial year. Another test for *Herpes Simplex Virus 1 (HSV1)*, using the same enabling technology is planned to follow later in 2007. This enabling technology has also been shown to be effective in increasing the efficacy of other tests such as tests for HIV (Human Immunodeficiency Virus).

The Ongoing Directors believe there is worldwide demand for this test with only one substantial competitor which is based in the US. It is estimated that over 60 million adults in the US are infected with HSV 2 and, because HSV is difficult to diagnose, the need for more accurate diagnosis is acute. After this initial development, another key target for Omega is the development of a “point-of-care” (POC) test so increasing Omega’s market opportunity.

Distribution

The Genesis-CNS distribution network only extends to 27 countries whereas Omega’s extends to over 100 countries. The Directors intend to increase sales of Genesis-CNS and Omega’s products by cross-selling them into the combined distribution network.

Acquisitions

Following Admission, the Ongoing Directors’ intention will also be to continue to review suitable acquisition opportunities which meet their selection criteria, which include all or most of the following:

- profitable sales
- limited routes to market/export sales
- complementary products to those of the Enlarged Group
- well established management teams
- owner managers seeking to exit

In line with the consolidation of the global medical diagnostics industry, the Ongoing Directors believe there are also opportunities to acquire products/product lines which do not fit the acceptance criteria of the larger industry players, either by reason of product speciality or due to their small size.

Competition

The Ongoing Directors consider that smaller companies such as Omega and Genesis-CNS are able to compete with global players with Omega and Genesis-CNS benefiting in particular given their broad geographical spread and the extent of their marketing distribution network, particularly with key distributors such as GlaxoSmithKline.

In addition, many of Omega and Genesis-CNS’ tests are performed manually and do not require expensive instrumentation for their correct performance. This means that the large global players cannot gain advantage from their dominance of instrument-based assay menus.

In respect of the microarray platform, the development time for microarrays is significant and the Genesis-CNS has developed several proprietary solutions in response to problems that have been encountered. The Ongoing Directors believe that this, together with the current shortage of experienced microarray scientists, will limit the number of competitors entering this market.

The Ongoing Directors believe that there is no one single, dominant player in any area in which Omega and Genesis-CNS are active.

PART III

RISK FACTORS

If you are in any doubt about the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom. In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors consider that the following risk factors are significant to potential investors and should be carefully considered together with all other information contained in this document, prior to investing in New Ordinary Shares. The risks listed do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority.

1. Risks relating to the Enlarged Group's business

Early stage of development

The Enlarged Group is relatively small compared to its larger and more established competitor companies. The Enlarged Group cannot predict the pricing or promotional activities of its competitors or their effect on its ability to market or sell its diagnostic kits in the immunoassay sector. In order to ensure that it remains competitive, the Enlarged Group may be required to reduce its prices. This could adversely affect the Enlarged Group's results.

Projected growth

The Enlarged Group's plans incorporate growth in the coming years. Such plans bring certain risks, including the ability to generate sufficient sales to expand the business. Failure to overcome these risks and to maintain the projected margins of the business may have an adverse affect on the results and prospects of the Enlarged Group.

Loss of major supplier arrangements or significant changes to supplier terms

The Enlarged Group is highly dependent on ongoing positive relationships, and terms of trade in place with its key suppliers. The Enlarged Group actively manages its key supplier relationships. Any material adverse change in the Enlarged Group's relationship with its suppliers, or its terms of trade, could have an adverse impact on the Enlarged Group's financial position.

Dependence on key executives and personnel

The Enlarged Group is dependent upon certain key executives and personnel for its success. There can be no guarantee that it will be able to retain the services of key directors and employees.

Reliance on strong brand

The Enlarged Group's success will depend on name recognition of its products and brands. If the Enlarged Group is not able to establish, maintain and enhance its brands, its ability to establish and then expand its base of customers will be impaired and its business and operating results will be harmed. Maintaining and enhancing its brands may require the Enlarged Group to make substantial investments and these investments may not be successful.

Requirement for additional capital

In the opinion of the Ongoing Directors, having made due and careful enquiry and taking into account the net proceeds of the Placing and the banking facilities presently available to it, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

It is possible that the Company will need to raise further funds either to raise further working or development capital to develop its business.

The Enlarged Group's capital requirements will depend on numerous factors, including its ability to maintain and expand its existing business and it is difficult for the Ongoing Directors to predict the timing and

amount of the Enlarged Group's capital requirements with accuracy. If the Enlarged Group's capital requirements vary materially from its plans, the Enlarged Group may require further capital in addition to the amounts raised in the Placing. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may place restrictions on the Enlarged Group's financing and operating activities. If the Enlarged Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion. There is no guarantee that the then prevailing market conditions will allow for such fundraising or that new investors will be prepared to subscribe for New Ordinary Shares at the same price as the Placing Price or higher.

Regulatory Risk

The manufacturing, marketing and use of the Enlarged Group's clinically relevant 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 Enlarged Group's products to be marketed. Such approval requires clinical evaluation of data relating to safety, quality and efficacy of a product. Many territories, including the United States, the European Union and Japan, have high standards of technical appraisal and accordingly clinical trials have a risk of failure. There are no assurances that the Enlarged Group's products will complete clinical trials or that regulatory approvals to manufacture and market its products will be obtained. Changes in legislation, regulatory policies or the discovery of problems with the products or their manufacture may result in the imposition of restrictions on the products or their manufacture and may have an adverse impact on the Enlarged Group's business.

Intellectual Property

There can be no assurance that patents will be issued with respect to applications now pending or which may be applied for in the future. The lack of any such patents may have a material adverse effect on the Enlarged Group's ability to develop its business. No assurance can be given that patents granted or licensed to the Enlarged Group will be sufficiently broad in their scope to provide protection for the Enlarged Group against other third party technology. There can be no assurance as to the validity or scope of any patents which have been, or may in the future be, granted or licensed to the Enlarged Group or that claims relating to the patents will not be asserted by other parties. The commercial success of the Enlarged Group also depends upon the Enlarged Group not infringing patents granted to third parties who may have filed applications or who have obtained or may obtain patents relating to business processes which might inhibit the Enlarged Group's ability to develop and exploit its own business. If this is the case, the Enlarged Group may have to obtain alternative technology or reach commercially acceptable terms on the exploitation of other parties' intellectual property rights. There can be no assurance that the Enlarged Group will be able to obtain alternative technology or, if any licences are required, that the Enlarged Group will be able to obtain any such licence on commercially acceptable terms, if at all. To the extent that the Enlarged Group's processes are protected by intellectual property rights and the Enlarged Group is alleged to infringe third party intellectual property rights, then litigation may be necessary and could result in substantial costs to, and diversion of efforts by, the Enlarged Group's management with no guarantee of success. The Enlarged Group does not carry any intellectual property insurance.

Exchange rate fluctuations

Part of the Enlarged Group's revenue will be denominated in Euros and US dollars. Although the Proposed Directors seek to manage this exposure by buying materials in each of these currencies, fluctuations in the respective exchange rates between the Euro and US Dollar with Sterling can have a material impact on the Enlarged Group's financial results.

Current operating results as an indication of future results

The Enlarged Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, investors should not rely on comparisons with the Enlarged Group's results to date as an indication of future performance. Factors that may affect the Enlarged Group's operating results include increased competition, increased level of costs as it continues to expand its business, increased employment costs as the market in which the Enlarged Group operates improves, slower than expected take-up by customers of its products and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Enlarged Group's operating

results will fall below expectations of securities analysts or investors. If this occurs, the trading price of the Enlarged Group's shares may decline significantly.

Taxation including EIS, CVS and VCT clearances

There can be no certainty that the current taxation regime in the UK or overseas jurisdiction which the business operates from will remain in force or that the current levels of corporation taxation will remain unchanged. There can be no assurance that there will be no amendment to the existing taxation laws applicable to the Enlarged Group's operations, which may have a material adverse effect on the financial position of the Enlarged Group. The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Enlarged Group.

The Company has received provisional approval from HMRC confirming that its activities and the shares to be issued should qualify under EIS, VCT and CVS legislation. Neither the Company nor the Company's advisers are giving any warranties or undertakings that EIS relief, CVS relief or VCT qualifying status will be available or that such relief or status will not be withdrawn.

Any change in the Enlarged Group's tax status or in tax legislation could affect the Enlarged Group's ability to provide returns to shareholders or alter post-tax returns to shareholders. The taxation of investments in the Enlarged Group depends on the individual circumstances of investors.

Circumstances may arise where the Board believes that the interests of the Enlarged Group are not best served by acting in a way that preserves the EIS relief (including capital gains tax exemption and deferral relief), CVS relief or VCT qualifying status. The Enlarged Group cannot undertake to conduct its activities in a way designed to preserve any such relief or status.

Investors should note that EIS certificates which will enable them to claim any applicable tax relief under EIS legislation will, if available, be supplied by the Enlarged Group to those investors who have specified that they wish to subscribe under EIS as soon as possible after Admission.

Third Parties

There can be no certainty that third parties will perform, or be able to perform, their obligations under various contracts with the Enlarged Group or that the Enlarged Group will be able to recover damages for breach of contract. The insolvency of third parties or their default under the terms of such contracts could have a material adverse effect on the Enlarged Group and its operations.

Litigation and dispute risk

From time to time, the Enlarged Group may be involved in litigation. This litigation may include, but is not limited to, contractual claims, personal injury claims, employee claims and environmental claims. If a successful claim is pursued against the Enlarged Group, the litigation may adversely impact the sales, profits or financial performance of the Enlarged Group. Any claim, whether successful or not, may adversely impact on the Company's share price. There is a risk that should the Enlarged Group seek redress against another party to its contracts by way of litigation or other dispute resolution processes, these processes may incur significant Enlarged Group resources, the cost of pursuing such actions may be prohibitive and a successful result is not assured.

2. Risks relating to the Enlarged Group's markets

General economic conditions

Changes in the general economic climate in each jurisdiction in which the Enlarged Group operates may adversely affect the financial performance of the Enlarged Group. Factors which may contribute to that general economic climate include the level of direct and indirect competition against the Enlarged Group, industrial disruption, the rate of growth of the Enlarged Group's sectors, interest rates and the rate of inflation.

If there are increases in operational costs, there is no guarantee that these increases can be passed on to the Enlarged Group's customers. If the Enlarged Group is not able to recover cost increases from

customers through increases in prices, such increases may have a material adverse effect on the business, financial condition and result of the operations. Revenues and costs may be subject to special risks that may disrupt markets, including regulatory and government activities.

3. Risks relating to the Acquisition

The success of the Enlarged Group depends upon the ability of the Directors to assimilate and integrate the operations, personnel, technologies, products and information systems of Genesis-CNS. If the Directors encounter difficulties with the assimilation or integration of Genesis-CNS in any of these respects this could materially impact the results of the Enlarged Group. In particular, the Directors' strategy in relation to the Acquisition is to cross-sell Omega and Genesis-CNS products into the combined distribution network of the Enlarged Group. If the Directors are unable to increase sales of Omega and Genesis-CNS products in this way, this will materially impact the results of the Enlarged Group. In addition, the Directors have identified the following risks relating to Genesis-CNS:

- Genesis-CNS has not historically prepared revenue and profit forecasts. Therefore Genesis-CNS has no track record of meeting or exceeding revenue and profit forecasts.
- 11 per cent. of Genesis-CNS sales for its financial year ended 31 October 2006 were made to an Iranian distributor, NPT Ltd. Any restrictions imposed on sales to this Iranian distributor resulting from geopolitical factors outside of the Enlarged Group's control could have a material effect on the Enlarged Group's results.
- Genesis-CNS sales depend upon strong relationships with a number of key customers. Although the Directors will seek to maintain these relationships through the retention of Genesis-CNS' key management and the appointment of Michael Walker to the Board as a Non-Executive Director, there can be no guarantee that these relationships will continue to be as strong on completion of the Acquisition.

4. Risks relating to the Placing

AIM

AIM is a market designated primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities. The value of the New Ordinary Shares may go down as well as up. Investors may therefore realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment.

Future sales of New Ordinary Shares

Following Admission, sales, or the possibility of sales of substantial numbers of New Ordinary Shares in the public or private market by the Company's existing shareholders could have an adverse effect on the market trading prices of the New Ordinary Shares. Whilst the Directors and the Proposed Directors have agreed to certain restrictions on the disposal of New Ordinary Shares in which they are interested for a limited period of time following the date of Admission, upon the expiration of these lock-in arrangements a large number of New Ordinary Shares will be eligible for sale.

Publicly traded securities

Publicly traded securities, from time to time, experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. The market price of the New Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Company's control, including: variations in operating results in the Company's reporting periods; changes in market valuation of similar companies; announcements by the Company of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; loss of a major customer; the inability to secure an adequate supply of materials from suppliers in a timely fashion; additions or departures of key personnel; any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts; future issues or sales of New Ordinary Shares; and stock market price and

volume fluctuations, which are particularly common with respect to the securities of similar companies. Any of these events could result in a material decline in the price of the New Ordinary Shares.

5. Risks relating to the Enlarged Group's acquisitive growth strategy

The Enlarged Group may engage in future acquisitions that could dilute Shareholders' equity or harm the business. The Directors are unable to predict whether or when any prospective acquisition, if pursued, will be completed. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of the Enlarged Group's resources and management's attention. The Directors cannot assure Shareholders that they will be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into its operations, or expand into new markets.

Furthermore, once integrated, acquisitions may not achieve comparable levels of revenues, profitability or productivity. The occurrence of any of these events could harm the Enlarged Group's business, financial condition or results of operations. Future acquisitions may require substantial capital resources, which may require the Company to seek additional debt or equity financing.

Future acquisitions by the Enlarged Group could result in the following, any of which could seriously harm the results of operations or the share price:

- the issuance of equity securities that would dilute Shareholders' percentage of ownership;
- large one-time write-offs;
- the incurring of debt and contingent liabilities;
- difficulties in the assimilation and integration of operations, personnel, technologies, products and information systems of the acquired companies;
- diversion of management's attention from other business concerns;
- contractual disputes;
- risks of entering geographic and business markets in which the Enlarged Group or its management has no or only limited prior experience; and
- potential loss of key employees of acquired organisations.

Although the Directors will seek to minimise the impact of the risk factors, investment in the Enlarged Group should only be made by investors able to sustain a total loss of the investment. Investors are strongly recommended to consult an investment adviser authorised under FSMA (who specialises in investments of this nature) before making a decision to invest.

PART IV

ACCOUNTANTS' REPORT ON OMEGA DIAGNOSTICS GROUP PLC

Accountants' Report on the historical financial information relating to Omega Diagnostics Group PLC for the three years ended 31 March 2007

The Directors,

3 August 2007

Omega Diagnostics Group PLC

Omega Diagnostics Group PLC

We report on the financial information set out in this Part IV of the Admission Document. This financial information has been prepared for inclusion in the AIM admission document relating to the acquisition of Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited dated 3 August 2007 on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the AIM admission document, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of Omega Diagnostics Group PLC are responsible for preparing the financial information on the basis of accounting set out in note 3 to the financial information and in accordance with IFRS.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom except that the scope of our work was limited as explained below.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the AIM admission document dated 3 August 2007, a true and fair view of the state of affairs of Omega Diagnostics Group PLC as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 3 to the financial information and in accordance with IFRS as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge and belief, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Ernst & Young LLP

**CONSOLIDATED INCOME STATEMENT
for the three years ended 31 March 2007**

	<i>Notes</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
		£	£	£
Continuing operations				
Revenue		2,032,146	2,143,806	2,226,724
Cost of sales		(1,200,657)	(1,275,661)	(1,551,422)
		<u>831,489</u>	<u>868,145</u>	<u>675,302</u>
Gross profit		831,489	868,145	675,302
Administration costs		(924,716)	(736,495)	(833,658)
Other income – government grants and related assistance		7,015	31,011	28,132
Exceptional administration costs	17	(799,440)	–	–
		<u>7</u>	<u>162,661</u>	<u>(130,224)</u>
Operating (loss)/profit	7	(885,652)	162,661	(130,224)
Finance costs	5	(24,898)	(36,016)	(43,902)
Finance revenue – interest receivable		13,008	182	–
Exceptional item – loan waiver	11	–	70,895	–
Exceptional item – goodwill	17	(243,683)	–	–
		<u>(1,141,225)</u>	<u>197,722</u>	<u>(174,126)</u>
(Loss)/profit before taxation		(1,141,225)	197,722	(174,126)
Tax credit	6	1,407	57,057	–
		<u>(1,139,818)</u>	<u>254,779</u>	<u>(174,126)</u>
(Loss)/profit for the year		<u>(1,139,818)</u>	<u>254,779</u>	<u>(174,126)</u>
Earnings per share (EPS)				
Basic EPS on (loss)/profit for the year				
– before exceptional items		(0.1p)	0.3p	(0.3p)
– after exceptional items		(1.2p)	0.4p	(0.3p)
		<u>(0.1p)</u>	<u>0.3p</u>	<u>(0.3p)</u>
Diluted EPS on (loss)/profit for the year				
– before exceptional items		(0.1p)	0.3p	(0.3p)
– after exceptional items		(1.1p)	0.4p	(0.3p)
		<u>(0.1p)</u>	<u>0.3p</u>	<u>(0.3p)</u>

CONSOLIDATED BALANCE SHEET
for the three years ended 31 March 2007

	<i>Note</i>	<i>2007</i> £	<i>2006</i> £	<i>2005</i> £
Assets				
Non-current assets				
Property, plant and equipment	8	107,995	91,641	114,524
Deferred tax	13	58,464	57,057	–
		<u>166,459</u>	<u>148,698</u>	<u>114,524</u>
Current assets				
Inventories	9	263,637	258,298	306,720
Trade and other receivables	10	746,108	462,902	505,618
Cash and cash equivalents		634,651	8,401	6,688
		<u>1,644,396</u>	<u>729,601</u>	<u>819,026</u>
Total assets		<u><u>1,810,855</u></u>	<u><u>878,299</u></u>	<u><u>933,550</u></u>
Equity and Liabilities				
Equity				
Issued capital	14	1,234,296	236,512	236,512
Retained earnings		(1,183,052)	(169,593)	(424,372)
Total equity		<u>51,244</u>	<u>66,919</u>	<u>(187,860)</u>
Liabilities				
Non current liabilities				
Other financial liabilities	18	705,112	–	–
Long term borrowings	11	27,383	60,250	166,450
Deferred income – government grants		–	2,667	18,667
Total non current liabilities		<u>732,495</u>	<u>62,917</u>	<u>185,117</u>
Current liabilities				
Short term borrowings	11	289,698	366,955	420,760
Trade and other payables	12	737,418	381,508	515,533
Total current liabilities		<u>1,027,116</u>	<u>748,463</u>	<u>936,293</u>
Total liabilities		<u>1,759,611</u>	<u>811,380</u>	<u>1,121,410</u>
Total equity and liabilities		<u><u>1,810,855</u></u>	<u><u>878,299</u></u>	<u><u>933,550</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three years ended 31 March 2007

	<i>Share Capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total</i> £
Balance at 1 April 2004	77,593	81,511	(250,246)	(91,142)
Issue of share capital	2,443	82,567	–	85,010
Expenses in connection with share issue	–	(7,602)	–	(7,602)
Loss for the year ended 31 March 2005	–	–	(174,126)	(174,126)
Balance at 31 March 2005	80,036	156,476	(424,372)	(187,860)
Profit for the year ended 31 March 2006	–	–	254,779	254,779
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

**CONSOLIDATED CASH FLOW STATEMENT
for the three years ended 31 March 2007**

	2007 £	2006 £	2005 £
Cash flows generated from operations			
(Loss)/profit for the year	(1,139,818)	254,779	(174,126)
Adjustments for:			
Goodwill write off	243,683	–	–
Taxation	(1,407)	(57,057)	–
Finance costs	24,898	36,016	43,902
Finance income	(13,008)	(182)	–
Other income	–	(70,895)	–
	<hr/>	<hr/>	<hr/>
Operating (loss)/profit before working capital movement	(885,652)	162,661	(130,224)
(Increase)/decrease in trade and other receivables	(283,206)	42,716	(23,172)
(Increase)/decrease in inventories	(5,339)	48,422	101,773
Increase/(decrease) in trade and other payables	1,061,022	(134,025)	(65,004)
Depreciation	16,115	35,273	45,498
Share based payments	126,359	–	–
Grant (amortised)/received	(2,662)	(16,000)	(9,527)
Tax refunds	–	–	22,021
	<hr/>	<hr/>	<hr/>
Net cash flow from operating activities	26,637	139,047	(58,635)
Investing activities			
Finance income	13,008	182	–
Purchase of property, plant and equipment	(32,469)	(12,390)	(8,042)
Inflow on acquisition of subsidiary undertaking	21,767	–	–
	<hr/>	<hr/>	<hr/>
Net cash from/(used in) investing activities	2,306	(12,208)	(8,042)
Financing activities			
Finance costs	(24,898)	(36,016)	(43,902)
Proceeds from issue of share capital	732,333	–	77,408
Proceeds from long term borrowings	–	–	66,667
Loan repayments	(60,704)	(60,055)	(82,808)
Payment of finance lease liabilities	–	–	(628)
	<hr/>	<hr/>	<hr/>
Net cash from/(used in) financing activities	646,731	(96,071)	16,737
Net increase/(decrease) in cash and cash equivalents	675,674	30,768	(49,940)
Cash and cash equivalents at beginning of period	(297,854)	(328,622)	(278,682)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>377,820</u>	<u>(297,854)</u>	<u>(328,622)</u>

NOTES TO THE FINANCIAL INFORMATION

for the three years ended 31 March 2007

1. Financial information

Omega Diagnostics Group PLC is a Public Limited Company incorporated in England. The Company's Ordinary Shares are traded on the AIM market.

The financial information for the years ended 31 March 2007, 2006 and 2005 set out in Part IV of the Admission Document is based on the audited financial statements for these periods.

2. Adoption of International Financial Reporting Standards ("IFRS")

The consolidated 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.

Financial instruments

Omega has elected to apply IAS32 "Financial Instruments: Disclosure and Presentation" and IAS39 "Financial Instruments: Recognition and Measurement" prospectively from 1 April 2004.

3. Significant accounting policies

Use of estimates and judgements

The preparation of the consolidated financial information 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.

Details of the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are inventory provisions, the useful life of assets, and the likelihood of proposed acquisitions going ahead, giving rise to changes in the financial liability recognised in respect of the earn out (see note 18).

Presentation currency and foreign currencies

The financial information is presented in UK pounds sterling. Transactions in currencies other than sterling are recorded at the prevailing rate of exchange at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in the net profit or loss for the year.

Basis of consolidation

On 19 September 2006 Quintessentially English plc became the legal parent company of Omega Diagnostics Limited in a share-for-share transaction, and on 19 September 2006 changed its name from Quintessentially English plc to Omega Diagnostics Group PLC. Due to the relative size of the companies, Omega Diagnostics Limited shareholders became the majority shareholders of the enlarged share capital. Further, the Company's continuing operations and executive management became those of Omega Diagnostics Limited. Under IFRS 3 this constitutes a reverse acquisition.

It would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results would be those of Omega Diagnostics Group PLC and Omega Diagnostics Limited would be included only in relation to its performance from 19 September 2006. However, in accordance with IFRS 3, the directors have treated the consolidated accounts as being a continuation of Omega Diagnostics Limited. Accordingly the figures presented are for the year ended 31 March 2007 with comparatives for the year ended 31 March 2006.

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (i.e. the acquiree for accounting purposes). Because such consolidated financial information represents a continuation of the financial information of the legal subsidiary, the assets and liabilities of Omega Diagnostics Limited have been recognised and measured in the consolidated financial information at their pre-combination carrying amounts. The retained earnings and other equity balances recognised in the consolidated financial information are the retained earnings and equity balances of Omega Diagnostics Limited immediately before the business combination and the amount recognised as issued equity instruments in the consolidated financial information has been determined by adding to the issued equity of Omega Diagnostics Limited immediately before the business combination the cost of the combination, being the market value of the shares of Quintessentially English plc.

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.

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 residential values over their estimated useful lives, on a straight line basis as follows.

Leasehold improvements	10 years, straight line with no residual value
Plant and machinery	8-10 years, straight line with no residual value

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 and residual values are reviewed annually and where adjustments are required these are made prospectively.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists the Group 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.

Goodwill

Business combinations are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

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

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 profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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 to completion and disposal.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their lease period and useful life. The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals applicable to operating leases where substantially all the benefits and risks remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Research and development costs

Expenditure on research, which is incurred up to the point of manufacturing validation, is written off as incurred. Thereafter, expenditure on product development which meets certain criteria is capitalised and amortised over its useful life. The manufacturing validation stage is when it is probable that the product will generate future economic benefits, and the following criteria have been met: technical feasibility; intention and ability to sell the product; availability of resources to complete the development of the product and the ability to measure the expenditure attributable to the product. The useful life of the intangible asset is determined on a product by product basis taking into consideration a number of factors. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Trade receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as remote.

Share-based payments

For equity-settled share-based payment transactions, the group measures the award, and the corresponding increase in equity, directly, at the fair value at the date at which they are granted and an expense is recognised over the vesting period. 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 is expensed immediately.

Pension

Contributions to personal pension plans of employees on a defined contribution basis are charged to the profit and loss account in the year in which they are payable.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences, arising from the different treatment of items for financial statement and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise. 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 is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Financial instruments

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

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts. Trade payables are not interest bearing and are stated at their fair value.

Interest bearing loans and overdrafts are recorded at the proceeds received, less any repayments. Accrued interest is presented as part of the loans and overdrafts balances.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of the new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised.

Financial liabilities have been recognised at the present value of the consideration expected to be payable. 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, with any changes in expectation being reflected through the Income Statement. When new ordinary shares are issued in settlement of a financial liability, the liability will be extinguished with equity recognised for the same amount.

New standards & interpretations

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

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective for periods commencing</i>
IFRS7	Financial Instruments: Disclosures	1 January 2007
IFRS8	Operating Segments*	1 January 2009
IAS1	Amendment to IAS1: Capital Disclosures	1 January 2007
IAS23	Amendment to IAS23 : Borrowing Costs*	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC10	Interim Financial Reporting and Impairment*	1 November 2006
IFRIC11	IFRS 2 – Group and Treasury Share Transactions*	1 March 2007
IFRIC 12	Service Concession Arrangements*	1 January 2008

* not yet adopted for use in the European Union

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 Group's financial statements in the period of initial application.

Upon adoption of IFRS7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to.

4. Segment information

The group's activities are in one business segment, diagnostic testing kits. There are no other significant classes of business, either singularly or in aggregate. Accordingly, the group's primary segment reporting is by business segment with geographical reporting being the secondary format. This is a change from previous reporting where the group's primary segment reporting format was geographical. This change has been adopted as it is consistent with the group's internal organisational and management structure and its system of internal financial reporting to key management the purposes of evaluating performance and making decisions about future allocations of resources. Comparative information has been restated accordingly.

Business segments

	2007 £	2006 £	2005 £
Segment revenues	2,032,146	2,143,806	2,226,724
Segment result (operating(loss)/profit)	(885,652)	162,661	(158,356)
There are no unallocated expenses.			
Assets and Liabilities			
Segment assets	903,990	812,841	926,862
Unallocated assets	906,865	65,458	6,688
Total assets	1,810,855	878,299	933,550
Segment liabilities	1,256,195	384,175	534,200
Unallocated liabilities	503,416	427,205	587,210
Total liabilities	1,759,611	811,380	1,121,410
Others segment information			
Segment capital expenditure	32,469	12,390	8,042
Segment depreciation	16,115	35,273	45,498
Segment earn out charge	705,112	–	–
Segment share-based payments	126,359	–	–

Geographical segments

The group's geographical segments are based on the location of its markets and customers.

	2007 £	2006 £	2005 £
Revenues			
UK	59,258	55,527	101,110
Eurozone	242,971	264,561	297,768
Other Europe	239,426	200,568	317,985
South/Central America	360,393	421,343	345,560
Asia and Far East	576,272	653,286	604,438
Africa and Middle East	553,826	548,521	559,863
	2,032,146	2,143,806	2,226,724
Segment assets			
UK	903,990	812,841	926,862
Unallocated assets	906,865	65,458	6,688
Total assets	1,810,855	878,299	933,550
Segment liabilities			
UK	1,256,195	384,175	534,200
Unallocated assets	503,416	427,205	587,210
Total assets	1,759,611	811,380	1,121,410
Capital expenditure			
UK	32,469	12,390	8,042

Unallocated assets comprise cash, income tax receivable, deferred taxation assets. Unallocated liabilities comprise interest bearing loans and borrowings.

5. Finance costs

	2007 £	2006 £	2005 £
Interest payable on loans & bank overdrafts	21,398	33,516	39,402
Financing arrangement fees	3,500	2,500	4,500
	<u>24,898</u>	<u>36,016</u>	<u>43,902</u>

6. Taxation

	2007 £	2006 £	2005 £
(a) Income tax expense			
Deferred tax – current tax	(116)	–	–
Deferred tax – prior year adjustment	(1,291)	(57,057)	–
Tax credit for the year	<u>(1,407)</u>	<u>(57,057)</u>	<u>–</u>
(b) Reconciliation of total tax charge			
Factors affecting the tax charge for the year: (Loss)/profit before tax	<u>(1,141,225)</u>	<u>197,722</u>	<u>(174,126)</u>
Effective rate of taxation	<u>19%</u>	<u>19%</u>	<u>19%</u>
(Loss)/profit before tax multiplied by the effective rate of tax	(216,833)	37,567	(33,084)
Effects of:			
Expenses not deductible for tax purposes	176,746	1,241	2,469
Transfers to/from unrecognised deferred tax asset	39,971	(95,832)	8,864
Other	–	(33)	23,044
Tax over-provided in prior years	(1,291)	–	–
Tax credit for the year	<u>(1,407)</u>	<u>(57,057)</u>	<u>–</u>

(c) Unrecognised deferred tax asset

The Group has an unrecognised deferred tax asset of £39,971 comprised of tax losses and other timing differences. The asset has not been recognised as there is insufficient evidence that there will be suitable taxable profits in the foreseeable future from which the reversal of the timing differences can be deducted and the tax losses offset.

7. Revenue and expenses

	2007 £	2006 £	2005 £
Revenues			
Revenue – Sales of goods	2,032,146	2,143,806	2,226,724
Finance income	13,008	182	–
Total revenue	<u>2,045,154</u>	<u>2,143,988</u>	<u>2,226,724</u>

No revenue was derived from exchange of goods or services in any of the three years.

	2007	2006	2005
	£	£	£
Operating profit/(loss) are stated after charging/(crediting)			
Depreciation	16,115	35,273	45,498
Net foreign exchange losses/(gains)	19,056	(3,595)	3,537
Write down of inventories	7,510	6,727	125,974
Research & development costs	32,588	108,945	16,923
Impairment of trade receivables	–	8,763	–
Auditors' remuneration			
– Fees payable to the company's auditor for the audit of the annual accounts	14,800	9,000	8,500
– Fees payable to the company's auditor for other services			
– Taxation	7,000	6,500	6,000
– Local statutory audit of subsidiary	9,000	–	–
– All other services	39,105	–	–
	<u> </u>	<u> </u>	<u> </u>

All research & development costs were charged directly to cost of sales in the income statement.

Staff costs

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

	2007	2006	2005
Operations	18	16	15
Management	3	4	5
Employee numbers	<u> </u>	<u> </u>	<u> </u>
	21	20	20

Their aggregate remuneration comprised:

	£	£	£
Wages and salaries	463,372	403,177	391,831
Social security costs	43,636	39,245	38,414
Pension costs	12,625	14,766	13,332
	<u> </u>	<u> </u>	<u> </u>
	519,633	457,188	443,577

Directors' remuneration

	2007	2006	2005
	£	£	£
Fees	8,125	–	–
Emoluments	269,276	122,500	122,500
Contributions to personal pension	7,375	8,536	6,843
	<u> </u>	<u> </u>	<u> </u>
	284,776	131,036	129,343
Members of a defined contribution pension scheme at the Year end:	<u> </u>	<u> </u>	<u> </u>
	2	2	2

Emoluments include the two equity-settled share-based payment transactions described in note 17.

8. Property, plant and equipment

	<i>Leasehold improvements</i> £	<i>Plant and machinery</i> £	<i>Total</i> £
At 1 April 2004	78,184	459,243	537,427
Additions	530	7,512	8,042
At 31 March 2005	78,714	466,755	545,469
Additions	1,920	10,470	12,390
At 31 March 2006	80,634	477,225	557,859
Additions	410	32,059	32,469
At 31 March 2007	81,044	509,284	590,328
Accumulated depreciation			
At 1 April 2004	4,320	381,127	385,447
Charge for the year	7,858	37,640	45,498
At 31 March 2005	12,178	418,767	430,945
Charge for the year	7,951	27,322	35,273
At 31 March 2006	20,129	446,089	466,218
Charge for the year	8,081	8,034	16,115
At 31 March 2007	28,210	454,123	482,333
Net book value			
At 31 March 2007	52,834	55,161	107,995
At 31 March 2006	60,505	31,136	91,641
31 March 2005	66,536	47,988	114,524

At 31 March 2007, the Directors have reassessed the estimated useful lives of plant and machinery items up to ten years on the basis of condition of assets, continuing product ranges and future sales forecasts. This adjustment has been made prospectively and has resulted in a decrease in the depreciation charge to 31 March 2007 of £11,958. The directors anticipate there will be a similar decrease in the depreciation charge to 31 March 2008.

9. Inventories

	2007 £	2006 £	2005 £
Raw materials	150,283	163,091	247,162
Work in progress	51,469	42,680	14,066
Finished goods and goods for resale	61,885	52,527	45,492
	<u>263,637</u>	<u>258,298</u>	<u>306,720</u>

10. Trade and other receivables

	2007 £	2006 £	2005 £
Trade receivables	390,846	383,341	371,612
Other receivables	355,262	79,561	134,006
	<u>746,108</u>	<u>462,902</u>	<u>505,618</u>

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

11. Interest-bearing loans & borrowings

	2007 £	2006 £	2005 £
<i>Current</i>			
Bank overdraft	256,831	306,255	335,310
Bank loans	26,667	32,000	23,855
Other loans	6,200	28,700	61,595
	<u>289,698</u>	<u>366,955</u>	<u>420,760</u>
<i>Non-current</i>			
Bank loans	–	26,667	58,667
Other loans	27,383	33,583	107,783
	<u>27,383</u>	<u>60,250</u>	<u>166,450</u>
<i>Bank loans comprise the following:</i>			
£66,667 variable rate loan 2007 (base + 2.5%)	26,667	58,667	66,667
£200,000 variable rate loan 2006 (base + 2.5%)	–	–	15,887
	<u>26,667</u>	<u>58,667</u>	<u>82,554</u>
Less current instalments	(26,667)	32,000	23,855
	<u>–</u>	<u>26,667</u>	<u>58,667</u>
	2007 £	2006 £	2005 £
<i>Other loans comprise the following:</i>			
£150,000 variable rate SFLGS loan 2006 (base + 2.5%)	–	22,500	52,500
£62,000 variable rate SFLGS loan 2012 (base + 2.5%)	33,583	39,783	45,983
£65,000 5.42% fixed rate SEFV loan 2008	–	–	70,895
	<u>33,583</u>	<u>62,283</u>	<u>169,378</u>
Less current instalments	(6,200)	28,700	61,595
	<u>27,383</u>	<u>33,583</u>	<u>107,783</u>

The bank overdraft and term loan are secured by a floating charge over the assets of the company. Two directors have also provided personal guarantees of £100,000 in support of the bank overdraft and term loan.

The Bank of Scotland term loan is repayable in equal monthly instalments of £2,667.

The Small Firms Loan Guarantee Scheme (SFLGS) loan is repayable in equal monthly instalments of £517.

The Scottish Enterprise Forth Valley (SEFV) loan was originally repayable by quarterly instalments over a three year period commencing 28 May 2004, subsequently amended to commencing 28 January 2005. On 18 October 2005, the company received written confirmation from SE Forth Valley that it would not seek repayment of the SEFV loan. The full amount of £65,000 plus accrued interest has been included in the income statement for the year as other income.

Interest rate risk

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

	<i>Within</i>				<i>More than</i>		
	<i>1</i>	<i>1-2</i>	<i>2-3</i>	<i>3-4</i>	<i>4-5</i>	<i>5</i>	<i>Total</i>
	<i>year</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>years</i>	
	£	£	£	£	£	£	£
2007							
Floating rate							
Cash and short term deposits	634,651	-	-	-	-	-	634,651
Bank overdrafts	(256,831)	-	-	-	-	-	(256,831)
Bank loans	(26,667)	-	-	-	-	-	(26,667)
Other loans	<u>(6,200)</u>	<u>(6,200)</u>	<u>(6,200)</u>	<u>(6,200)</u>	<u>(6,200)</u>	<u>(2,583)</u>	<u>(33,583)</u>
2006							
Floating rate							
Cash and short term deposits	8,401	-	-	-	-	-	8,401
Bank overdrafts	(306,255)	-	-	-	-	-	(306,255)
Bank loans	(32,000)	(26,667)	-	-	-	-	(58,667)
Other loans	<u>(28,700)</u>	<u>(6,200)</u>	<u>(6,200)</u>	<u>(6,200)</u>	<u>(6,200)</u>	<u>(8,782)</u>	<u>(62,283)</u>

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

12. Trade and other payables

	<i>2007</i>	<i>2006</i>	<i>2005</i>
	£	£	£
Trade payables	305,502	268,427	367,175
Social security costs	27,116	11,431	11,066
Other payables	<u>404,800</u>	<u>101,650</u>	<u>137,292</u>
	<u>737,418</u>	<u>381,508</u>	<u>515,533</u>

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.

13. Deferred taxation

The deferred tax asset is made up as follows:

	<i>2007</i>	<i>2006</i>	<i>2005</i>
	£	£	£
Decelerated capital allowances	24,928	24,471	-
Temporary differences	2,541	1,565	-
Tax losses carried forward	<u>30,995</u>	<u>31,021</u>	-
	<u>58,464</u>	<u>57,057</u>	-

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

In accordance with the accounting policies, the following deferred tax assets have not been recognised:

	2007 £	2006 £	2005 £
Decelerated capital allowances	–	–	20,403
Timing differences	20,137	–	2,533
Tax losses carried forward	19,834	–	48,707
	<u>39,971</u>	<u>–</u>	<u>71,643</u>

14. Share capital

	2007 Number	2006 Number	2005 Number
<i>Authorised share capital</i>			
Shares of 1 pence each	600,000,000	–	–
Shares of 10 pence each	–	921,069	921,069
	<u>600,000,000</u>	<u>921,069</u>	<u>921,069</u>

The company has one class of share which carries no rights to fixed income.

	2007 £	2006 £	2005 £
<i>Issued & fully paid share capital</i>			
At beginning of the year	800,361	800,361	775,933
Share for share exchange relating to reverse acquisition	(800,361)	–	–
Share for share exchange relating to reverse acquisition	60,600,000	–	–
Existing share capital of Omega Diagnostics Group PLC at date of reverse acquisition	11,176,865	–	–
Issued during the year	51,468,750	–	24,428
At the end of the year	<u>123,245,615</u>	<u>800,361</u>	<u>800,361</u>
<i>Shares allotted</i>			
Aggregate nominal value	514,688	–	2,443
Share premium	514,686	–	82,567
Expense of issue	(297,041)	–	(297,041)
Consideration received	<u>732,333</u>	<u>–</u>	<u>85,010</u>

The company granted warrants to those shareholders in Quintessentially English plc, on the register just prior to the reverse transaction. These warrants entitle those shareholders to subscribe for a total of 5,588,432 new ordinary shares.

On 20 December 2004, the company issued for cash 24,428 ordinary shares of 10p each at a subscription price of 348p per ordinary share.

15. Commitments & contingencies

Operating lease commitments

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

	2007	2006	2005
	£	£	£
Consolidated			
Land and buildings:			
Within one year	60,216	56,350	56,350
Within two to five years	190,684	225,400	225,400
After five years	–	9,392	65,741
	<u> </u>	<u> </u>	<u> </u>
Other:			
Within one year	7,598	26,641	28,199
Within two to five years	24,252	49,044	44,120
	<u> </u>	<u> </u>	<u> </u>

Land and building leases are in force for the Company's premises and extend to June 2011 at which point they may be re-negotiated. Other leases are in force for office equipment items and extend to time periods ranging from June 2009 to December 2011. The leases may be extended at the expiry of their term.

Performance bonds

The Group has performance bonds and guarantees in place amounting to £30,000 at 31 March 2007 (2006: £31,718).

16. Related party transactions

Remuneration of key personnel

The remuneration of the directors, who are the key management personnel of Omega Diagnostics Group PLC, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2007	2006	2005
	£	£	£
Short term employee benefits	184,628	122,500	122,500
Post-employment benefits	7,375	8,536	6,843
	<u> </u>	<u> </u>	<u> </u>
	<u>192,003</u>	<u>131,036</u>	<u>129,343</u>

Other related party transactions

During the normal course of business, Omega Diagnostics Limited purchased services from Omega Resources Limited. AW Shepherd is a Director in both companies, his wife being the managing director of Omega Resources Limited. These services amounted to £2,187 for the year ended 31 March 2007 (£nil for the year ended 31 March 2006). These services were charged for on an arm's length basis. The balance due to Omega Resources Limited at 31 March 2007 was £nil (31 March 2006: £nil).

On 18 October 2005, Omega Diagnostics Limited received written confirmation from SE Forth Valley that it would not seek repayment of the SEFV loan previously given to the Company. The full amount of £65,000 plus accrued interest was included in the income statement of financial year 2006. Scottish Enterprise was a shareholder with significant influence over Omega Diagnostics Limited at that time and as at 31 March 2007, a shareholder with significant influence over Omega Diagnostics Group PLC.

Kieron Harbinson, Andrew W Shepherd, Scottish Enterprise and Ms Julie Monks Shepherd are the beneficiaries of the earn-out detailed in note 17 below.

During the year there have been transactions between the parent company and Omega Diagnostics Limited, largely relating to payment of fees and provision of funding. The amount outstanding by the subsidiary to the parent company at the year end is £111,753.

17. Exceptional items

Equity-settled share-based payments

On 17 July 2002, due to the financial position of Omega Diagnostics Limited, A W Shepherd, an Executive Director of the Company, agreed to defer £2,083 per month of his salary from 1 July 2002 until further notice. Payment of the deferred salary was to be made at the discretion of the company and with the consent of Scottish Enterprise. On the basis that the obligation and timing to pay the deferred amount was uncertain, the company did not recognise a liability as at 31 March 2006 of £93,750. On 23 August 2006, on the reverse acquisition of Quintessentially English plc by Omega Diagnostics Limited, a new agreement was signed in connection with the deferred salary arising during the period 1 July 2002 and 31 August 2006. Payment of the deferred amount of £104,166 was to be no earlier than 1 April 2009 and conditional upon the Company generating annual profits before tax of not less than £500,000. The payment was to be made in shares or cash at the request of AW Shepherd. In February 2007, AW Shepherd waived his rights under this agreement. Despite the waiver of rights a charge of £33,586 has been recognised in the Income Statement for the year ended 31 March 2007.

On 23 August 2006, the Company issued a warrant instrument to David Evans entitling him to subscribe for 6,088,843 Ordinary Shares at a subscription price of 2 pence per share. The vesting period of this warrant was from 19 September 2006 until 31 March 2008. The warrant was issued to David Evans in his capacity as Non-Executive Chairman. In February 2007, David Evans waived his rights under this agreement. Despite the waiver of rights, a charge of £92,773 is required to be made in the Income Statement, comprised of £32,031 included within Administration costs and £60,742 included within exceptional items.

The fair value of equity-settled share-based payments is estimated as at grant date using a Black Scholes model taking into account the terms and conditions upon which the payments were granted:

	2007
Expected share price volatility	90%
Risk-free interest rate	4.5%
Expected life of options	3 years
Share price at grant date	2p

Impairment of goodwill

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (i.e. the acquiree for accounting purposes). As the fair value of the equity instruments of the legal subsidiary is not clearly evident, the total fair value of all the issued equity instruments of the legal parent before the business combination has been used as the basis for determining the cost of the combination. On that basis, the cost of combination has been assessed as £265,451 (see table below). The fair value of assets acquired totalled £21,768 and comprised debtors of £3,112, cash of £76,889 less creditors of £58,233.

No. of shares of legal parent at acquisition date	11,176,865
Market value of shares at acquisition date	£0.02375
Market capitalisation of legal Parent at acquisition date	£265,451

As the company had minimal net assets and no inherent operations or trade at the time of the acquisition, there was no underlying cash generation to support the carrying value of goodwill. Accordingly, the Directors are of the opinion that the goodwill arising from the acquisition would appear to have been impaired and has therefore immediately been written down.

Earn-out

In addition to the share for share transaction at the time of purchase, an additional consideration (the Earn-out) of up to £1.788 million, is subject to an earn-out calculation and will also be met entirely by the issue of shares. The earn-out in excess of £770,000 shall only be allotted if EBITDA per share is equal to or greater than 0.2p.

Within the consolidated accounts, this transaction is between the acquired entity and the shareholders of the acquiring entity and, under IFRS, requires to be recorded as a financial liability at its fair value with any subsequent changes to fair value being recorded through the income statement. As at 31 March 2007 the directors have estimated that the likely earn-out will be £770,000, discounted to a present value of £705,112, and have provided for this amount in the financial statements.

18. Other financial liabilities

	2007 £	2006 £	2005 £
Earn-out	<u>705,112</u>	<u>–</u>	<u>–</u>

19. 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.

	2007 £	2006 £	2005 £
Net profit attributable to equity holders of the Group	<u>(1,139,818)</u>	<u>254,779</u>	<u>(174,126)</u>

	2007 Number	2006 number	2005 number
Basic average number of shares	93,988,048	60,600,000	59,266,417
Warrants	5,588,432	–	–
Director's share option	<u>2,800,800</u>	<u>–</u>	<u>–</u>
Diluted weighted average number of shares	<u>102,377,280</u>	<u>60,600,000</u>	<u>59,266,417</u>

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:

	2007 £	2006 £	2005 £
Net profit attributable to equity holders of the Group	(1,139,818)	254,779	(174,126)
Exceptional items	1,043,123	(70,895)	–
Profit before exceptional items attributable to equity shareholders of the Group	<u>(96,695)</u>	<u>183,884</u>	<u>(174,126)</u>

20. Financial risk management objectives & policies

The Group's principal financial instruments comprise bank overdrafts, short-term debt, loans and cash. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal financial risks to which the Group is exposed are those relating to foreign currency, credit, liquidity and interest rate. These risks are managed in accordance with Board-approved policies.

Foreign currency risk

The Group buys and sells goods and services in currencies other than in the functional currency of its operations. The Group has US dollar and euro denominated bank accounts. Where possible, the Group will offset currency exposure where purchases and sales can be made from these foreign currency bank accounts. The Group's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is Group policy not to engage in any speculative transaction of any kind. At 31 March 2007 the Group has not entered into any hedge transactions.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group conducts its operations in many countries, so there is no concentration of risk in any one area. In most cases the Group grants credit without security to its customers. Credit worthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility of working capital arrangements through the use of bank overdrafts and bank loans.

Interest rate risk

All of the Group's borrowings are at variable rates of interest. The Group will seek to implement interest rate hedging practices as its exposure increases.

PART V

ACCOUNTANTS' REPORT ON GENESIS-CNS

Accountants' Report on the historical financial information relating to Genesis Diagnostics Limited for the three years ended 31 October 2006

The Directors,
Omega Diagnostics Group Limited

3 August 2007

Genesis Diagnostics Limited

We report on the financial information set out in this Part V of the Admission Document. This financial information has been prepared for inclusion in the AIM admission document relating to the acquisition of Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited dated 3 August 2007 on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the AIM admission document, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of Omega Diagnostics Group PLC are responsible for preparing the financial information on the basis of preparation set out in note 3 to the financial information and in accordance with IFRS.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom except that the scope of our work was limited as explained below.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error. However, with respect to inventory having a carrying amount of £214,782 as at 31 October 2006, £141,841 as at 31 October 2005 and £79,844 as at 31 October 2004 the evidence available to us was limited because the physical inventory was not observed by an auditor, since those dates preceded the appointment of an auditor by the company.

Owing to the nature of the company's records, we were unable to obtain sufficient appropriate evidence regarding inventory quantities by using other procedures.

Qualified opinion arising from limitation in scope

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the physical inventory quantities as at 31 October 2006,

31 October 2005 and 31 October 2004, in our opinion the financial information gives, for the purposes of the AIM admission document dated 3 August 2007, a true and fair view of the state of affairs of Genesis Diagnostics Limited as at 31 October 2006, 31 October 2005 and 31 October 2004 and of its profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 3 to the financial information and in accordance with IFRS.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge and belief, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Ernst & Young LLP

CONSOLIDATED INCOME STATEMENT
for the three years ended 31 October 2006

	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £	<i>2004</i> £
Continuing operations				
Revenue		1,901,586	1,734,347	1,456,402
Cost of sales		(296,930)	(303,835)	(303,111)
		<hr/>	<hr/>	<hr/>
Gross profit		1,604,656	1,430,512	1,153,291
Administration costs		(1,365,128)	(1,176,831)	(870,929)
		<hr/>	<hr/>	<hr/>
Operating profit	7	239,528	253,681	282,362
Finance costs	5	(4,934)	(2,762)	(1,560)
Finance revenue – interest receivable		3,509	2,089	1,154
		<hr/>	<hr/>	<hr/>
Profit before taxation		238,103	253,008	281,956
Tax expense	6	40,895	17,848	61,871
		<hr/>	<hr/>	<hr/>
Profit for the year		<u>197,208</u>	<u>235,160</u>	<u>220,085</u>

CONSOLIDATED BALANCE SHEET
for the three years ended 31 October 2006

	<i>Note</i>	<i>2006</i> £	<i>2005</i> £	<i>2004</i> £
ASSETS				
Non-current assets				
Property, plant and equipment	8	254,158	209,074	129,106
Current assets				
Inventories	9	214,782	141,841	79,844
Trade and other receivables	10	423,803	473,016	329,010
Cash and cash equivalents		209,613	188,128	227,068
		<u>848,198</u>	<u>802,985</u>	<u>635,922</u>
Total assets		<u><u>1,102,356</u></u>	<u><u>1,012,059</u></u>	<u><u>765,028</u></u>
EQUITY AND LIABILITIES				
Equity				
Issued capital	14	1,000	1,000	1,000
Retained earnings		884,204	731,996	521,836
Total equity		<u>885,204</u>	<u>732,996</u>	<u>522,836</u>
Liabilities				
Non current liabilities				
Long term borrowings	11	35,359	53,825	13,333
Deferred taxation		4,418	–	–
Total non current liabilities		<u>39,777</u>	<u>53,825</u>	<u>13,333</u>
Current liabilities				
Loans and overdrafts	11	13,259	19,528	9,181
Trade and other payables	12	126,876	187,851	169,179
Corporation tax payable		37,240	17,859	50,499
Total current liabilities		<u>177,375</u>	<u>225,238</u>	<u>228,859</u>
Total liabilities		<u>217,152</u>	<u>279,063</u>	<u>242,192</u>
Total equity and liabilities		<u><u>1,102,356</u></u>	<u><u>1,012,059</u></u>	<u><u>765,028</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three years ended 31 October 2006**

	<i>Share Capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total</i> £
Balance at 1 November 2003	1,000	–	301,751	302,751
Profit for the year ended 31 October 2004	–	–	220,085	220,085
Balance at 31 October 2004	1,000	–	521,836	522,836
Profit for the year ended 31 October 2005	–	–	235,160	235,160
Dividends	–	–	(25,000)	(25,000)
Balance at 31 October 2005	1,000	–	731,996	732,996
Profit for the year ended 31 October 2006	–	–	197,208	197,208
Dividends	–	–	(45,000)	(45,000)
Balance at 31 October 2006	1,000	–	884,204	885,204

**CONSOLIDATED CASH FLOW STATEMENT
for the three years ended 31 October 2006**

	2006 £	2005 £	2004 £
Cash flows generated from operations			
Profit/(loss) for the year	197,208	235,160	220,085
Adjustments for:			
Taxation	40,895	17,848	61,871
Finance costs	4,934	2,762	1,560
Finance income	(3,509)	(2,089)	(1,154)
Operating profit/(loss) before working capital movement	239,528	253,681	282,362
Decrease/(increase) in trade and other receivables	49,976	(144,006)	(33,986)
Decrease/(increase) in inventories	(72,941)	(61,997)	(11,671)
(Decrease)/increase in trade and other payables	(60,978)	19,442	(9,266)
Depreciation	99,184	67,307	42,432
Loss/(gain) on sale of fixed assets	4,348	(8,278)	2,093
Tax refunds	–	–	21,566
Net cash flow from operating activities	259,117	126,149	293,530
Investing activities			
Finance income	3,509	2,089	1,154
Purchase of property, plant and equipment	(191,851)	(65,929)	(79,710)
Proceeds from sales of fixed assets	36,969	8,278	13,057
Net cash used in investing activities	(151,373)	(55,562)	(65,499)
Financing activities			
Interest paid	(4,934)	(2,762)	(1,560)
Taxation paid	(17,859)	(51,257)	(27,823)
Dividends paid	(45,000)	(25,000)	–
Payment of finance lease liabilities	(18,466)	(30,508)	(2,514)
Net cash (used in)/from financing activities	(86,259)	(109,527)	(31,897)
Net increase/(decrease) in cash and cash equivalents	21,485	(38,940)	196,134
Cash and cash equivalents at beginning of period	188,128	227,068	30,934
Cash and cash equivalents at end of period	209,613	188,128	227,068

NOTES TO THE FINANCIAL INFORMATION for the three years ended 31 October 2006

1. Financial information

Genesis was incorporated in England on 3 May 1994. The principal activity of Genesis is the preparation of medical diagnostic testing kits.

The financial information for the years ended 31 October 2004, 2005 and 2006 that are set out in Part V of the Admission Document is based on the audited financial statements for these periods.

2. Adoption of International Financial Reporting Standards (“IFRS”)

In the presented financial information, Genesis has adopted the Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the EU, current at 31 October 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to Genesis’s accounting policies but none of these areas are affected such that the amounts for any of the reported years need to be adjusted.

3. Significant accounting policies of Genesis

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards. The most significant accounting policies are described below.

Presentation currency and foreign currencies

The financial information is presented in UK pounds sterling. Transactions in currencies other than sterling are recorded at the prevailing rate of exchange at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in the net profit or loss for the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and net of discounts and sales related taxes. Sales of goods are recognised when the significant risks and rewards of ownership are transferred to the customer. This will be when goods have been dispatched and the collection of the related receivable is reasonably assured. Revenue relates to the sale of medical diagnostic kits.

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 over their estimated useful lives as follows.

Leasehold improvements	4 years on a straight line basis
Plant and machinery	4 years on a reducing balance basis

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 and residual values are reviewed annually and where adjustments are required these are made prospectively.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists the 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 Company's 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.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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 to completion and disposal.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their lease period and useful life. The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals applicable to operating leases where substantially all the benefits and risks remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Research and development costs

Expenditure on research, which is incurred up to the point of manufacturing validation, is written off as incurred. Thereafter, expenditure on product development which meets certain criteria is capitalised and amortised over its useful life. The manufacturing validation stage is when it is probable that the product will generate future economic benefits, and the following criteria have been met: technical feasibility; intention and ability to sell the product; availability of resources to complete the development of the product and the ability to measure the expenditure attributable to the product. The useful life of the intangible asset is determined on a product by product basis taking into consideration a number of factors. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with a maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Trade receivables

Trade receivables are recognised and carried at the original invoice amount. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as remote.

Pension

Contributions to personal pension plans of employees on a defined contribution basis are charged to the profit and loss account in the year in which they are payable.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences, arising from the different treatment of items for financial statement and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

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 is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Financial instruments

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

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts. Trade payables are not interest bearing and are stated at their fair value.

Interest bearing loans and overdrafts are recorded at the proceeds received, less any repayments. Accrued interest is presented as part of the loans and overdrafts balances.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of the new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised.

New standards & interpretations

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

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective for periods commencing</i>
IFRS7	Financial Instruments: Disclosures	1 January 2007
IFRS8	Operating Segments*	1 January 2009
IAS1	Amendment to IAS1: Capital Disclosures	1 January 2007
IAS23	Amendment to IAS23 : Borrowing Costs*	1 January 2009

<i>International Financial Reporting Interpretations Committee (IFRIC)</i>		
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC10	Interim Financial Reporting and Impairment*	1 November 2006
IFRIC11	IFRS 2 – Group and Treasury Share Transactions*	1 March 2007
IFRIC 12	Service Concession Arrangements*	1 January 2008

* not yet adopted for use in the European Union

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 Group's financial statements in the period of initial application.

Upon adoption of IFRS7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to.

4. Segment information

The Company's activities are in one business segment, diagnostic testing kits. There are no other significant classes of business, either singularly or in aggregate. Accordingly, the Company's primary segment reporting is by business segment with geographical reporting being the secondary format.

Business segments

	2006 £	2005 £	2004 £
Segment revenues	1,901,586	1,734,347	1,456,402
Segment result (operating profit)	239,528	253,681	282,362
There are no unallocated expenses.			
Assets and Liabilities			
Segment assets	892,743	913,931	537,960
Unallocated assets	209,613	188,128	227,068
Total assets	1,102,356	1,102,059	765,028
Segment liabilities	126,876	188,121	169,179
Unallocated liabilities	90,276	90,942	73,013
Total liabilities	217,152	279,063	242,192
Others segment information			
Segment capital expenditure	185,582	147,276	94,664
Segment depreciation	99,184	67,307	42,432

Geographical segments

The Company's geographical segments are based on the location of its markets and customers.

	2006 £	2005 £	2006 £
Revenues			
UK	235,475	248,123	271,704
Other EU	838,816	775,867	531,684
South/Central America	50,714	66,746	42,431
Asia and Far East	291,904	300,781	268,109
Australia	363,425	267,930	233,422
Other	121,252	74,900	109,052
	<u>1,901,586</u>	<u>1,734,347</u>	<u>1,456,402</u>
Segment assets			
UK	892,743	913,931	537,960
Unallocated assets	209,613	188,128	227,068
Total assets	<u>1,102,356</u>	<u>1,102,059</u>	<u>765,028</u>
Capital expenditure			
UK	<u>185,582</u>	<u>147,276</u>	<u>94,664</u>

Unallocated assets comprise cash. Unallocated liabilities comprise interest bearing loans and borrowings, corporation tax payable and deferred taxation.

5. Finance costs

	2006 £	2005 £	2004 £
Finance charges payable under finance leases	4,934	2,762	1,560
	<u>4,934</u>	<u>2,762</u>	<u>1,560</u>

6. Taxation

	2006 £	2005 £	2004 £
(a) Income tax expense			
Current tax	36,477	17,848	61,871
Deferred tax	4,418	–	–
Tax charge for the year	<u>40,895</u>	<u>17,848</u>	<u>61,871</u>
(b) Reconciliation of total tax charge			
Factors affecting the tax charge for the year:			
Profit/(loss) before tax	<u>238,103</u>	<u>253,008</u>	<u>281,956</u>
Effective rate of taxation	<u>30%</u>	<u>19%</u>	<u>30%</u>
Profit/(loss) before tax multiplied by the effective rate of tax	71,431	48,072	84,587
Effects of:			
Marginal Relief	(15,766)	–	(14,653)
Research & development	(31,813)	(16,037)	(17,984)
Non deductible expenses	1,431	936	404
Capital allowances	(5,841)	(3,792)	(2,086)
Other temporary differences	17,799	(11,320)	–
Adjustments in respect of prior years	(763)	(11)	11,603
	<u>36,477</u>	<u>17,848</u>	<u>61,871</u>
Deferred tax:			
Deferred tax recognised during the year (note 13)	<u>4,418</u>	<u>–</u>	<u>–</u>
Tax charge for the year	<u>40,895</u>	<u>17,848</u>	<u>61,871</u>

7. Revenue and expenses

	2006 £	2005 £	2004 £
Revenues			
Revenue – Sales of goods	1,901,586	1,734,347	1,456,402
Finance income	3,509	2,089	1,154
Total revenue	<u>1,905,095</u>	<u>1,736,436</u>	<u>1,457,556</u>

No revenue was derived from exchange of goods or services in any of the three years.

	2006 £	2005 £	2004 £
Operating profit/(loss) are stated after charging/(crediting)			
Depreciation	99,184	67,307	42,432
Research & development costs	188,221	112,796	88,066
Auditors' remuneration			
– Fees payable to the company's auditor for the audit of the annual accounts	<u>9,000</u>	<u>–</u>	<u>–</u>

All research & development costs were charged directly to cost of sales in the income statement.

Staff costs

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

	2006	2005	2004
Operations	21	20	16
Management	2	2	2
Employee numbers	<u>23</u>	<u>22</u>	<u>18</u>

Their aggregate remuneration comprised:

	£	£	£
Wages and salaries	597,508	571,026	365,436
Social security costs	65,007	62,273	37,484
Pension costs	50,287	49,205	34,464
	<u>712,802</u>	<u>682,504</u>	<u>437,384</u>

8. Property, plant and equipment

	<i>Leasehold improvements</i> £	<i>Plant and machinery</i> £	<i>Total</i> £
Cost			
At 1 November 2003	29,499	307,890	337,389
Additions	–	94,664	94,664
Disposals	–	(27,502)	(27,502)
At 31 October 2004	29,499	375,052	404,551
Additions	9,744	137,532	147,276
Disposals	–	(10,880)	(10,880)
At 31 October 2005	39,243	501,704	540,947
Additions	9,913	175,669	185,582
Disposals	–	(74,497)	(74,497)
At 31 October 2006	<u>49,156</u>	<u>602,877</u>	<u>652,033</u>
Accumulated depreciation			
At 1 November 2003	8,186	237,179	245,365
Charge for the year	3,197	39,235	42,432
On disposals	–	(12,352)	(12,352)
At 31 October 2004	11,383	264,062	275,445
Charge for the year	4,179	63,128	67,307
On disposals	–	(10,880)	(10,880)
At 31 October 2005	15,562	316,311	331,873
Charge for the year	5,039	94,145	99,184
On disposals	–	(33,180)	(33,180)
At 31 October 2006	<u>20,601</u>	<u>377,274</u>	<u>397,875</u>
Net book value			
31 October 2006	<u>28,855</u>	<u>225,603</u>	<u>254,158</u>
31 October 2005	<u>23,681</u>	<u>185,393</u>	<u>209,074</u>
31 October 2004	<u>18,116</u>	<u>110,990</u>	<u>129,106</u>

Net book value of property, plant and equipment includes amounts in respect of assets held under finance leases and hire purchase contracts as follows: 2004 – £21,000; 2005 – £69,000; 2006 – £35,500.

9. Inventories

	2006 £	2005 £	2004 £
Raw materials	90,117	36,690	23,740
Work in progress	81,382	69,356	34,624
Finished goods and goods for resale	43,283	35,795	21,480
	<u>214,782</u>	<u>141,841</u>	<u>79,844</u>

10. Trade and other receivables

	2006 £	2005 £	2004 £
Trade receivables	386,955	411,801	294,674
Other receivables	36,848	61,215	34,336
	<u>423,803</u>	<u>473,016</u>	<u>329,010</u>

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

11. Interest-bearing loans & borrowings

	2006 £	2005 £	2004 £
<i>Obligations under finance leases</i>			
Current	13,259	19,258	9,181
Non-current	35,359	53,825	13,333
	<u>48,618</u>	<u>73,083</u>	<u>22,514</u>

The Company has finance leases for various items of plant and equipment and purchased software. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2006 £	2005 £	2004 £
<i>Minimum payments</i>			
Within one year	16,638	24,476	10,585
After one year but not more than five	38,821	59,152	14,113
Total minimum lease payments	55,459	83,628	24,698
Less amounts representing finance charges	6,841	10,545	2,184
	<u>48,618</u>	<u>73,083</u>	<u>22,514</u>
<i>Present value of payments</i>			
Within one year	13,259	19,258	9,181
After one year but not more than five	35,359	53,825	13,333
	<u>48,618</u>	<u>73,083</u>	<u>22,514</u>

It is the Company's policy to lease certain of its assets under finance leases. The weighted average outstanding lease term is 4 years (2005: 4 years, 2004: 3 years).

For the year ended 31 October 2006, the weighted average effective borrowing rate was 8 per cent. (2005: 8 per cent., 2004: 8 per cent.). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	2006 £	2005 £	2004 £
Fair values			
<i>Financial assets</i>			
Cash & short-term deposits	<u>209,613</u>	<u>188,128</u>	<u>227,068</u>
<i>Financial liabilities</i>			
Interest bearing loans & borrowings			
Obligations under finance leases	<u>48,618</u>	<u>73,083</u>	<u>22,514</u>

The fair value of items has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying amount of the other financial instruments of the Company, ie. short term trade receivables and payables that are not included in the above table, is a reasonable approximation

of fair value. The carrying amount recorded in the balance sheet of each financial asset, including derivative financial instruments, represents the Company's maximum exposure to credit risk.

Interest rate risk

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk.

	<i>Within</i>				<i>More than</i>		
	<i>1</i>	<i>1-2</i>	<i>2-3</i>	<i>3-4</i>	<i>4-5</i>	<i>5</i>	<i>Total</i>
	<i>year</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>years</i>	<i>£</i>
	£	£	£	£	£	£	£
2006							
Fixed rate							
Obligations under finance leases	<u>13,259</u>	<u>14,358</u>	<u>15,534</u>	<u>5,467</u>	<u>-</u>	<u>-</u>	<u>48,618</u>
Floating rate							
Cash and short term deposits	<u>209,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,613</u>
2005							
Fixed rate							
Obligations under finance leases	<u>19,258</u>	<u>20,984</u>	<u>22,703</u>	<u>10,138</u>	<u>-</u>	<u>-</u>	<u>73,083</u>
Floating rate							
Cash and short term deposits	<u>188,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,128</u>
2004							
Fixed rate							
Obligations under finance leases	<u>9,181</u>	<u>9,891</u>	<u>3,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,514</u>
Floating rate							
Cash and short term deposits	<u>227,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,068</u>

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

12. Trade and other payables

	2006 £	2005 £	2004 £
Trade payables	16,054	66,728	85,399
Social security costs	33,516	27,262	12,058
Amount due to parent entity	54,626	54,626	63,060
Other payables	22,680	39,505	8,662
	<u>126,876</u>	<u>188,121</u>	<u>169,179</u>

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.

13. Deferred taxation

The deferred tax asset is made up as follows:

	2006 £	2005 £	2004 £
Accelerated capital allowances	4,418	–	–
	<u>4,418</u>	<u>–</u>	<u>–</u>

14. Share capital

	2006 Number	2005 Number	2004 Number
<i>Authorised share capital</i> Shares of 10 pence each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The company has one class of share which carries no rights to fixed income.

	2006 £	2005 £	2004 £
<i>Issued & fully paid share capital</i> At beginning and end of the year	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

15. Related party transactions

Ultimate controlling party

The Company is a subsidiary of Aborne Consultants Limited who own 95 per cent. of the company's share capital through European Nominees (Gibraltar) Limited. Both companies are registered in Gibraltar. Consolidated accounts are not available to the public.

Remuneration of key personnel

The remuneration of the directors, who are the key management personnel of Genesis Diagnostics Limited, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2006 £	2005 £	2004 £
Short term employee benefits	155,258	152,141	101,500
Post-employment benefits	40,000	40,000	25,000
	<u>195,258</u>	<u>192,141</u>	<u>126,500</u>

Other related party transactions

Dr M S Walker, an executive director of the company, had the following interest free loans during the period:

	2006 £	2005 £	2004 £
Maximum loan in year	<u>16,515</u>	<u>24,338</u>	<u>22,274</u>
Outstanding at the year end	<u>16,515</u>	<u>24,338</u>	<u>22,274</u>

16. Financial risk management objectives & policies

The Company's principal financial instruments comprise bank overdrafts, short term debt, loans and cash. The main purpose of these financial instruments is to manage the Company's funding and liquidity requirements. The Company has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal financial risks to which the Company 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 Company buys and sells goods and services in currencies other than in the functional currency of its operations. As a result, the Company's non sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is Company policy not to engage in any speculative transaction of any kind.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The Company is exposed to risk over a large number of countries and customers and there is no significant concentration of risk. The Company grants credit without security to its customers. Credit worthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Interest rate risk

The majority of the Company's borrowings are at variable rates of interest. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing.

HISTORICAL FINANCIAL INFORMATION ON CAMBRIDGE NUTRITIONAL SCIENCES LIMITED

Accountants' Report on the historical financial information relating to Cambridge Nutritional Sciences Limited for the three years ended 31 October 2006

The Directors,
Cambridge Nutritional Sciences Limited

3 August 2007

Cambridge Nutritional Sciences Limited

We report on the financial information set out in this Part V of the Admission document. This financial information has been prepared for inclusion in the AIM admission document relating to the acquisition of Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited dated 3 August 2007 on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the AIM admission document, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of Omega Diagnostics Group PLC are responsible for preparing the financial information on the basis of preparation set out in note 3 to the financial information and in accordance with IFRS.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom except that the scope of our work was limited as explained below.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the AIM admission document dated 3 August 2007, a true and fair view of the state of affairs of Cambridge Nutritional Sciences Limited as at the dates stated and of its profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 3 to the financial information and in accordance with IFRS.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge and belief, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Ernst & Young LLP

CONSOLIDATED INCOME STATEMENT
for the three years ended 31 October 2006

	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £	<i>2004</i> £
Continuing operations				
Revenue		289,563	165,828	124,161
Cost of sales		<u>(64,137)</u>	<u>(60,693)</u>	<u>(28,578)</u>
Gross profit		225,426	105,135	95,583
Administration costs		<u>(147,391)</u>	<u>(94,805)</u>	<u>(58,592)</u>
Operating profit	6	78,035	10,330	36,991
Finance revenue – interest receivable		<u>1,439</u>	<u>1,359</u>	<u>383</u>
Profit before taxation		79,474	11,689	37,374
Tax expense	5	<u>(15,570)</u>	<u>(2,088)</u>	<u>(7,349)</u>
Profit for the year		<u><u>63,904</u></u>	<u><u>9,601</u></u>	<u><u>30,025</u></u>

CONSOLIDATED BALANCE SHEET
for the three years ended 31 October 2006

	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £	<i>2004</i> £
ASSETS				
Non-current assets				
Property, plant and equipment	7	39,331	14,823	14,454
Current assets				
Inventories	8	8,028	7,939	–
Trade and other receivables	9	47,547	19,739	12,790
Cash and cash equivalents		49,743	23,271	39,880
		<u>105,318</u>	<u>50,949</u>	<u>52,670</u>
Total assets		<u><u>144,649</u></u>	<u><u>65,772</u></u>	<u><u>67,124</u></u>
EQUITY AND LIABILITIES				
Equity				
Issued capital	12	100	100	100
Retained earnings		121,314	57,410	47,809
Total equity		<u>121,414</u>	<u>57,510</u>	<u>47,909</u>
Liabilities				
Non current liabilities				
Deferred taxation	11	1,369	–	–
Total non current liabilities		<u>1,369</u>	<u>–</u>	<u>–</u>
Current liabilities				
Trade and other payables	10	7,653	6,165	11,866
Corporation tax payable		14,213	2,097	7,349
Total current liabilities		<u>21,866</u>	<u>8,262</u>	<u>19,215</u>
Total liabilities		<u>23,235</u>	<u>8,262</u>	<u>19,215</u>
Total equity and liabilities		<u><u>144,649</u></u>	<u><u>65,772</u></u>	<u><u>67,124</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three years ended 31 October 2006**

	<i>Share Capital</i> £	<i>Share premium</i> £	<i>Retained earnings</i> £	<i>Total</i> £
Balance at 1 November 2003	100	–	30,784	30,884
Profit for the year ended 31 October 2004	–	–	30,025	30,025
Dividends	–	–	(13,000)	(13,000)
Balance at 31 October 2004	<u>100</u>	<u>–</u>	<u>47,809</u>	<u>47,909</u>
Profit for the year ended 31 October 2005	–	–	9,601	9,601
Balance at 31 October 2005	<u>100</u>	<u>–</u>	<u>57,410</u>	<u>57,510</u>
Profit for the year ended 31 October 2006	–	–	63,904	63,904
Balance at 31 October 2006	<u><u>100</u></u>	<u><u>–</u></u>	<u><u>121,314</u></u>	<u><u>121,414</u></u>

**CONSOLIDATED CASH FLOW STATEMENT
for the three years ended 31 October 2006**

	<i>2006</i> £	<i>2005</i> £	<i>2004</i> £
Cash flows generated from operations			
Profit/(loss) for the year	63,904	9,601	30,025
Adjustments for:			
Taxation	15,570	2,088	7,349
Finance income	(1,439)	(1,359)	(383)
Operating profit/(loss) before working capital movement	<u>78,035</u>	<u>10,330</u>	<u>36,991</u>
Decrease/(increase) in trade and other receivables	(27,807)	(6,948)	(8,465)
Decrease/(increase) in inventories	(89)	(7,939)	–
(Decrease)/increase in trade and other payables	1,488	(5,701)	10,890
Depreciation	<u>13,111</u>	<u>4,943</u>	<u>4,819</u>
Net cash flow from operating activities	<u>64,738</u>	<u>(5,315)</u>	<u>44,235</u>
Investing activities			
Finance income	1,439	1,359	383
Purchase of property, plant and equipment	(37,619)	(5,312)	(9,514)
Net cash used in investing activities	<u>(36,180)</u>	<u>(3,953)</u>	<u>(9,131)</u>
Financing activities			
Dividends paid	–	–	(13,000)
Tax paid	(2,086)	(7,341)	(1,542)
Net cash (used in)/from financing activities	<u>(2,086)</u>	<u>(7,341)</u>	<u>(14,542)</u>
Net increase/(decrease) in cash and cash equivalents	26,472	(16,609)	20,562
Cash and cash equivalents at beginning of period	<u>23,271</u>	<u>39,880</u>	<u>19,318</u>
Cash and cash equivalents at end of period	<u><u>49,743</u></u>	<u><u>23,271</u></u>	<u><u>39,880</u></u>

NOTES TO THE FINANCIAL INFORMATION for the three years ended 31 October 2006

1. Financial information

Cambridge was incorporated in England on 18 April 2001. The principal activity of Cambridge is the sale of medical diagnostic testing kits.

The financial information for the years ended 31 October 2004, 2005 and 2006 that are set out in Part V of the Admission Document is based on the audited financial statements for these periods.

2. Adoption of International Financial Reporting Standards (“IFRS”)

In the presented financial information, Cambridge has adopted the Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the EU, current at 31 October 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to Cambridge’s accounting policies but none of these areas are affected such that the amounts for any of the reported years need to be adjusted.

3. Significant accounting policies of Cambridge

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards. The most significant accounting policies are described below.

Presentation currency and foreign currencies

The financial information is presented in UK pounds sterling. Transactions in currencies other than sterling are recorded at the prevailing rate of exchange at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in the net profit or loss for the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and net of discounts and sales related taxes. Sales of goods are recognised when the significant risks and rewards of ownership are transferred to the customer. This will be when goods have been dispatched and the collection of the related receivable is reasonably assured. Revenue relates to the sale of medical diagnostic kits.

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 over their estimated useful lives as follows.

Plant and machinery	4 years on a reducing balance basis
---------------------	-------------------------------------

The carrying values of 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 and residual values are reviewed annually and where adjustments are required these are made prospectively.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists the 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 Companies 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.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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 to completion and disposal.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of their lease period and useful life. The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligation is charged to the profit and loss account 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.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with a maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Trade receivables

Trade receivables are recognised and carried at the original invoice amount. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as remote.

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 from the different treatment of items for financial statement and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

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 is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Financial instruments

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

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts. Trade payables are not interest bearing and are stated at their fair value.

Interest bearing loans and overdrafts are recorded at the proceeds received, less any repayments. Accrued interest is presented as part of the loans and overdrafts balances.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of the new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised.

New standards & interpretations

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

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective for periods commencing</i>
IFRS7	Financial Instruments: Disclosures	1 January 2007
IFRS8	Operating Segments*	1 January 2009
IAS1	Amendment to IAS1: Capital Disclosures	1 January 2007
IAS23	Amendment to IAS23: Borrowing Costs*	1 January 2009
<i>International Financial Reporting Interpretations Committee (IFRIC)</i>		
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC10	Interim Financial Reporting and Impairment*	1 November 2006
IFRIC11	IFRS 2 – Group and Treasury Share Transactions*	1 March 2007
IFRIC 12	Service Concession Arrangements*	1 January 2008

*not yet adopted for use in the European Union

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 Group's financial statements in the period of initial application.

Upon adoption of IFRS7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to.

4. Segment information

The Company's activities are in one business segment, food tolerance tests and other clinically relevant laboratory analyses. There are no other significant classes of business, either singularly or in aggregate. Accordingly, the Company's primary segment reporting is by business segment with geographical reporting being the secondary format.

Business segments

	2006	2005	20064
	£	£	£
Segment revenues	289,563	165,828	124,161
Segment result (operating profit)	78,035	10,330	36,991

There are no unallocated expenses.

Assets and Liabilities

Segment assets	94,906	42,501	27,244
Unallocated assets	49,743	23,271	39,880
Total assets	144,649	65,772	67,124
Segment liabilities	7,653	6,165	11,866
Unallocated liabilities	15,582	2,097	7,349
Total liabilities	23,235	8,262	19,215
Others segment information			
Segment capital expenditure	37,619	5,312	9,514
Segment depreciation	13,111	4,943	4,819

Geographical segments

The Company's geographical segments are based on the location of its markets and customers.

	2006	2005	2004
	£	£	£
Revenues			
UK	208,485	124,371	96,846
Other EU	81,078	41,457	27,315
	289,563	165,828	124,161
Segment assets			
UK	94,906	42,501	27,244
Unallocated assets	49,743	23,271	39,880
Total assets	144,649	65,772	67,124
Capital expenditure			
UK	37,619	5,312	9,514

Unallocated assets comprise cash. Unallocated liabilities comprise interest bearing loans and borrowings, corporation tax payable and deferred taxation.

5. Taxation

	2006 £	2005 £	2004 £
(a) Income tax expense			
Current tax	14,201	2,088	7,349
Deferred tax	1,369	–	–
Tax charge for the year	<u>15,570</u>	<u>2,088</u>	<u>7,349</u>
(b) Reconciliation of total tax charge			
Factors affecting the tax charge for the year:			
Profit/(loss) before tax	<u>79,474</u>	<u>11,689</u>	<u>37,374</u>
Effective rate of taxation	<u>19%</u>	<u>19%</u>	<u>19%</u>
Profit/(loss) before tax multiplied by the effective rate of tax	15,100	2,221	7,101
Effects of:			
Marginal relief	–	(216)	–
Non deductible expenses	74	200	501
Capital allowances	(973)	(70)	(253)
Other temporary differences	–	(47)	–
	<u>14,201</u>	<u>2,088</u>	<u>7,349</u>
Deferred tax:			
Deferred tax recognised during the year (note 11)	<u>1,369</u>	<u>–</u>	<u>–</u>
Tax charge for the year	<u>15,570</u>	<u>2,088</u>	<u>7,349</u>

6. Revenue and expenses

	2006 £	2005 £	2004 £
Revenues			
Revenue – Sales of goods	289,563	165,828	124,161
Finance income	1,439	1,359	383
Total revenue	<u>291,002</u>	<u>167,187</u>	<u>124,544</u>

No revenue was derived from exchange of goods or services in any of the three years.

	2006 £	2005 £	2004 £
Operating profit/(loss) are stated after charging/(crediting)			
Depreciation	13,111	4,943	4,819
Auditors' remuneration			
– Fees payable to the company's auditor for the audit of the annual accounts	<u>2,250</u>	<u>–</u>	<u>–</u>

All research & development costs were charged directly to cost of sales in the income statement.

Staff costs

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

	2006	2005	2004
Operations	–	1	–
Management	–	–	–
Employee numbers	<u>–</u>	<u>1</u>	<u>–</u>

Their aggregate remuneration comprised:

	£	£	£
Wages and salaries	–	6,362	–
Social security costs	–	210	–
	<u>–</u>	<u>6,572</u>	<u>–</u>

7. Property, plant and equipment

	<i>Plant and machinery</i> £
Cost	
At 1 November 2003	13,013
Additions	<u>9,514</u>
At 31 October 2004	22,527
Additions	<u>5,312</u>
At 31 October 2005	27,839
Additions	<u>37,619</u>
At 31 October 2006	<u>65,458</u>
Accumulated depreciation	
At 1 November 2003	3,254
Charge for the year	<u>4,819</u>
At 31 October 2004	8,073
Charge for the year	<u>4,943</u>
At 31 October 2005	13,016
Charge for the year	<u>13,111</u>
At 31 October 2006	<u>26,127</u>
Net book value	
31 October 2006	<u>39,331</u>
31 October 2005	<u>14,823</u>
31 October 2004	<u>14,454</u>

8. Inventories

	2006 £	2005 £	2004 £
Finished goods and goods for resale	<u>8,028</u>	<u>7,939</u>	<u>–</u>

9. Trade and other receivables

	2006 £	2005 £	2004 £
Trade receivables	37,312	10,966	5,160
Other receivables	<u>10,235</u>	<u>8,773</u>	<u>7,630</u>
	<u>47,547</u>	<u>19,739</u>	<u>12,790</u>

10. Trade and other payables

	2006 £	2005 £	2004 £
Trade payables	4,186	3,475	956
Other payables	<u>3,467</u>	<u>2,690</u>	<u>10,910</u>
	<u>7,653</u>	<u>6,165</u>	<u>11,866</u>

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.

11. Deferred taxation

The deferred tax asset is made up as follows:

	2006 £	2005 £	2004 £
Accelerated capital allowances	<u>1,369</u>	<u>–</u>	<u>–</u>
	<u>1,369</u>	<u>–</u>	<u>–</u>

12. Share capital

	2006 Number	2005 Number	2004 Number
<i>Authorised share capital</i> Shares of 10 pence each	<u>100</u>	<u>100</u>	<u>100</u>

The company has one class of share which carries no rights to fixed income.

	2006 £	2005 £	2004 £
<i>Issued & fully paid share capital</i> At beginning and end of the year	<u>100</u>	<u>100</u>	<u>100</u>

13. Related party transactions

Remuneration of key personnel

The key management personnel of Cambridge Nutritional Sciences Limited received nor were due to receive any remuneration in connection with their services to the company.

Other related party transactions

An executive director of the company, had the following interest free loans during the period:

	2006 £	2005 £	2004 £
Maximum loan in year	<u>10,060</u>	<u>10,060</u>	<u>60</u>
Outstanding at the year end	<u>60</u>	<u>10,060</u>	<u>60</u>

14. Financial risk management objectives & policies

The Company's principal financial instruments comprise bank overdrafts, short term debt, loans and cash. The main purpose of these financial instruments is to manage the Company's funding and liquidity requirements. The Company has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal financial risks to which the Company 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 Company buys and sells goods and services in currencies other than in the functional currency of its operations. As a result, the Company's non sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. It is Company policy not to engage in any speculative transaction of any kind.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The Company is exposed to risk over a large number of countries and customers and there is no significant concentration of risk. The Company grants credit without security to its customers. Credit worthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Interest rate risk

The majority of the Company's cash is held at variable rates of interest.

	2006 £	2005 £	2004 £
Fair values			
<i>Financial assets</i>			
Cash & short-term deposits	<u>49,743</u>	<u>23,271</u>	<u>39,880</u>

The fair value of items has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying amount of the other financial instruments of the Company, ie. short term trade

receivables and payables that are not included in the above table, is a reasonable approximation of fair value. The carrying amount recorded in the balance sheet of each financial asset, including derivative financial instruments, represents the Company's maximum exposure to credit risk.

Interest rate risk

The following tables set out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk.

	<i>Within</i> <i>1</i> <i>year</i> <i>£</i>	<i>1-2</i> <i>years</i> <i>£</i>	<i>2-3</i> <i>years</i> <i>£</i>	<i>3-4</i> <i>years</i> <i>£</i>	<i>4-5</i> <i>years</i> <i>£</i>	<i>More</i> <i>than</i> <i>5</i> <i>years</i> <i>£</i>	<i>Total</i> <i>£</i>
2006							
Fixed rate							
Floating rate							
Cash and short term deposits	49,743	-	-	-	-	-	49,743
	<u>49,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,743</u>
2005							
Floating rate							
Cash and short term deposits	23,271	-	-	-	-	-	23,271
	<u>23,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,271</u>
2004							
Floating rate							
Cash and short term deposits	39,880	-	-	-	-	-	39,880
	<u>39,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,880</u>

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

PART VI

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS

Introduction

The unaudited pro forma statement of net assets of the Enlarged Group set out below has been prepared to illustrate the effect of the Placing and the acquisition of Genesis and CNS. The unaudited pro forma statement of net assets has been prepared on the basis of the net assets of Omega as at 31 March 2007, as set out in Part IV of this document, and the net assets of Genesis and CNS as at 31 October 2006, as set out in Part V of this document, and adjusted in accordance with the notes below. The statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation. It therefore does not represent the Enlarged Group's actual financial position or results and may not give a true picture of the net assets which would have been reported if the Placing and the acquisition of Genesis and CNS had occurred on 31 March 2007.

	<i>Omega</i> £'000	<i>Genesis</i> £'000	<i>CNS</i> £'000	<i>Transaction adjustment (notes 3-7)</i> £'000	<i>Proforma group</i> £'000
Non-current assets					
Tangible fixed assets	108	254	39	–	401
Intangible fixed assets	–	–	–	4,694	4,694
Deferred tax	58	–	–	–	58
	<u>166</u>	<u>254</u>	<u>39</u>	<u>4,694</u>	<u>5,153</u>
Current assets					
Stocks	263	215	8	–	486
Debtors	746	424	47	–	1,217
Bank balances and cash	635	209	50	(265)	629
	<u>1,644</u>	<u>848</u>	<u>105</u>	<u>(265)</u>	<u>2,332</u>
Creditors: amounts falling due within one year	<u>(1,027)</u>	<u>(177)</u>	<u>(22)</u>	<u>(240)</u>	<u>(1,466)</u>
Net current assets	<u>617</u>	<u>671</u>	<u>83</u>	<u>(505)</u>	<u>866</u>
Total assets less current liabilities	<u>783</u>	<u>925</u>	<u>122</u>	<u>4,189</u>	<u>6,019</u>
Creditors: amounts falling due after more than one year					
Loans	(27)	–	–	(2,060)	(2,087)
Other financial liabilities	(705)	–	–	–	(705)
Net obligations under finance leases	–	(35)	–	–	(35)
Provisions for liabilities and charges	–	(5)	(1)	–	(6)
	<u>(732)</u>	<u>(40)</u>	<u>(1)</u>	<u>(2,060)</u>	<u>(2,833)</u>
Net assets	<u><u>51</u></u>	<u><u>885</u></u>	<u><u>121</u></u>	<u><u>2,129</u></u>	<u><u>3,186</u></u>

Notes

- (1) The net assets of Omega have been extracted without material adjustment from the Financial Information of the Company as at 31 March 2007 set out in Part IV of this document.
- (2) The net assets of Genesis and CNS have been extracted without material adjustment from the Financial Information of Genesis and CNS as at 31 October 2006 set out in Part V of this document.
- (3) The adjustment of £4.7 million to intangible fixed assets represents goodwill arising on the acquisition of Genesis and CNS. The goodwill has been calculated based on total consideration of £5.7 million less net assets of Genesis and CNS of £885,000 and £121,000 respectively.
- (4) The adjustment of £265,000 to bank balances and cash represents equity and bank debt raised of £2.2 million and £1.2 million respectively, less cash consideration of £3.2 million and issue costs of £465,000.
- (5) The adjustment of £240,000 to creditors: amounts falling due within one year and £2.06 million to loans represents £1.2 million of new bank debt and £1.2 million of loan notes issued to the Vendors to finance the acquisition of Genesis and CNS.
- (6) No account has been taken of any fair value adjustments to the net assets of Genesis and CNS at 31 March 2007 as any fair value adjustments can not be accurately and reliably calculated at this point in time. Accordingly, the entire excess over the net book value of Genesis' and CNS's net assets has been attributed to goodwill, as explained in note 3 above. On completion of a fair value exercise, an amount will be required to be allocated to other intangible assets.
- (7) The unaudited pro forma statement of net assets does not reflect any changes in the trading and net assets of:
 - the Company since 31 March 2007 being the date to which the latest audited statements were prepared; and
 - Genesis and CNS since 31 October 2006 being the date to which the latest audited financial statements were prepared.

PART VII

ADDITIONAL INFORMATION

1. Responsibility statement

The Company and the Ongoing Directors (whose names are set out in paragraph 2.1.2 of this Part VII), accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Ongoing Directors (who have taken all reasonable care to ensure that such is the case), the information for which they are responsible contained in this document and the accompanying documents is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information on the Company

2.1 Directors

2.1.1 The Directors of the Company are as follows:

David Eric Evans	<i>Non-Executive Chairman</i>
Andrew William Shepherd	<i>Chief Executive</i>
Kieron Antony Harbinson	<i>Finance Director</i>
Michael Stephen Gurner	<i>Non-Executive Director</i>

2.1.2 Upon completion of the Acquisition the Directors of the Company will be as follows:

David Eric Evans	<i>Non-Executive Chairman</i>
Andrew William Shepherd	<i>Chief Executive</i>
Kieron Antony Harbinson	<i>Finance Director</i>
Michael Stephen Gurner	<i>Non-Executive Director</i>
Michael Strachan Walker	<i>Non-Executive Director</i>

2.2 Incorporation of the Company

2.2.1 The Company was incorporated and registered in England and Wales on 16 January, 2004, as a public limited company under the Act with the name of Quintessentially English PLC with registered number 5017761. On 23 March 2004, the Company received a certificate issued by the Registrar of Companies under section 117 of the Act entitling it to do business and borrow. The name of the Company was changed to Omega Diagnostics Group plc. confirmed by certificate of incorporation on change of name dated 19 September 2006.

2.2.2 The liability of the members of the Company is limited.

2.2.3 The registered office of the Company is at One London Wall, London EC2Y 5AB.

2.2.4 The Company's telephone number is 01259 763030.

2.2.5 The accounting reference date of the Company is 31 March.

2.2.6 The ISIN number of the Existing Ordinary Shares is GB00B00CRJ34.

2.2.7 The ISIN of the New Ordinary Shares will be GB00B1VCP282

2.3 Share capital of the Company

2.3.1 At the date of incorporation the Company had an authorised share capital of £50,000 divided into 50,000 Ordinary Shares of £1 each of which two subscriber shares were issued.

2.3.2 On 23 February 2004 the Company increased its authorised share capital from £50,000 to £500,000 by the creation of 450,000 new Ordinary Shares of £1 each by written resolution.

2.3.3 Also on 23 February 2004 the two Ordinary Shares of £1 each in issue were converted and sub-divided into 100 Ordinary Shares of 1p each respectively. The remaining unissued but authorised 499,998 Ordinary Shares of £1 were each converted and sub-divided into 49,999,800 Ordinary Shares of 1p each by written resolution.

2.3.4 In addition, on 23 February 2004 the following resolutions were passed as written resolutions:

2.3.4.1 The directors were generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to a nominal value of £499,998;

2.3.4.2 The directors were authorised pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph 2.3.4.1 above as if Section 89(1) of the Act did not apply to such allotment and the Directors may allot, grant options over or otherwise dispose of such shares, to such persons and on such terms and in such manner as they see fit.

2.3.5 On 24 February 2004, the Company issued, credited as fully paid, 6,666,665 Existing Ordinary Shares at an issue price of 1.5p to certain Directors.

2.3.6 In addition between 18 March 2004 and 3 April 2006, following a placing of Existing Ordinary Shares at an issue price of 5p, the Company issued, credited as fully paid, 4,510,000 Existing Ordinary Shares.

2.3.7 On 18 September 2006 the following resolutions were passed:

“THAT the authorised share capital of the Company be increased from £500,000 to £6,000,000 by the creation of 550,000,000 ordinary shares of 1p each in the capital of the Company, ranking *pari passu* in all respects with the existing ordinary shares of 1p each in the capital of the Company;

pursuant to section 80 of the Companies Act 1985 as amended (“the Act”) the directors of the Company (“the Directors”) be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum of the authorised and unissued share capital of the Company as increased by paragraph 3.1 of this resolution, provided that (unless previously revoked, varied or renewed) this authority shall remain in force until completion of the next following annual general meeting of the Company save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the Directors to the extent not previously utilised;

the Directors be and are generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by paragraph 3.2 of this Resolution as if section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:

the allotment of 50,000,000 ordinary shares of 1p each in connection with the Placing Agreement, as such term is defined in the Circular of which this notice forms part;

the allotment of 14,097,968 ordinary shares of 1p each in connection with the Proposed Directors’ Arrangements, as such term is defined in the Circular of which this notice forms part;

the issue of warrants to subscribe for up to 5,588,432 ordinary shares of 1p each in connection with the QE Warrant Issue as such term is defined in the Circular of which notice forms part;

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

the allotment of 50,000,000 ordinary shares of 1p each otherwise than pursuant to sub-paragraphs 3.3.1 to 3.3.4 above;

and provided that (unless previously revoked, varied or renewed) this power shall remain in force until completion of the next following annual general meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired and provided further that this power shall

be in substitution for and supersede and revoke any previous power granted to the Directors to the extent not previously utilised.”

THAT, conditional on the Acquisition Agreement becoming unconditional in all respects other than as to conditions relating to the admission of the enlarged issued ordinary share capital of the Company to trading on the AIM Market of London Stock Exchange plc, the name of the Company be changed from “Quintessentially English PLC” to “Omega Diagnostics Group PLC”.

- 2.3.8 On 19 September 2006 the Company issued 5,588,432 Warrants to subscribe for Existing Ordinary Shares of £1 each in the Company at a price of 2p per share pursuant to the 2006 Warrant Issue.
- 2.3.9 On 19 September 2006, following a placing of Existing Ordinary Shares at a placing price of 2p per share, the Company issued 50,000,000 Existing Ordinary Shares of 1p each at 2p per share.
- 2.3.10 On 19 September 2006, in connection with the acquisition of Omega Diagnostics Ltd, the Company issued as fully paid 60,600,000 Existing Ordinary Shares of 1p each.
- 2.3.11 On 19 September 2006 the Company issued 1,468,750 Existing Ordinary Shares of 1p each for cash at a price of 2p per share.
- 2.3.12 The authorised and issued share capital of the Company at 3 August 2007 and at Admission following the Capital Reorganisation Placing and completion of the Acquisition are as follows:

<i>Authorised share capital</i>				<i>Issued and fully paid up share capital</i>			
<i>Current</i>		<i>Following the Placing, Consolidation and Acquisition</i>		<i>Current</i>		<i>Following the Placing, Consolidation and Acquisition</i>	
<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
6,000,000	600,000,000	7,390,789.5	184,769,736	1,232,456	123,245,615	595,028	14,875,693
	Existing Ordinary Shares		New Ordinary Shares		Existing Ordinary Shares		New Ordinary Shares
		1,109,210.5	123,245,615			1,109,210.5	123,245,615
			Deferred Shares				Deferred Shares

- 2.3.13 Save in connection with the Acquisition, the 2006 Acquisition, the Placing, the 2006 Warrant Issue, the Kieron Harbinson Option Arrangement, no share or loan capital of the Company is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.
- 2.3.14 There are no Existing Ordinary Shares in the Company which are held by, or on behalf of, the Company and none of the Company’s subsidiaries holds any shares in the Company.
- 2.3.15 On completion of the Placing, the issued share capital of the Company will be increased by 382.8 per cent. resulting in an immediate dilution of 79.3 per cent.

2.4 Memorandum and Articles of Association

2.4.1 Memorandum of Association

The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.

2.4.2 Articles of Association

The Articles contain provisions *inter alia*, to the following effect:

2.4.2.1 Rights attaching to Existing Ordinary Shares

2.4.2.1.1 Votes of Members

- (a) Subject to any restrictions imposed by or pursuant to the Articles and to any rights or restrictions attached to any shares, on a show of hands every member who is present in person at a general meeting of the Company (or, being a

corporation present by a duly authorised representative) shall have one vote only, and on a poll every member who is present in person or by proxy shall have one vote for every £1 in nominal value of shares of which he is a holder.

- (b) No holder of a share shall, unless the Directors otherwise determine, be entitled (save as proxy for another member) to vote at a general meeting either personally or by proxy, in respect of any share held by him unless all monies presently payable by him in respect of that share have been paid.
- (c) All ordinary Shareholders have the same voting rights.

2.4.2.1.2 Dividends

- (d) The Company may by ordinary resolution declare dividends but no dividend shall be payable except out of the profits of the Company available for distribution in accordance with the provisions of the Act, or in excess of the amount recommended by the Directors.
- (e) The Directors may, if in their opinion the profits of the Company justify such payments, pay the fixed dividends on any class of shares carrying a fixed dividend that is expressed to be payable on fixed dates and subject thereto may pay interim dividends of such amounts and on such dates as they think fit. Subject to any rights or privileges for the time being attached to any shares having preferential or special rights in regard to dividend, the profits of the Company which it shall from time to time be determined to distribute by way of dividend shall be applied in payment of dividends upon the Existing Ordinary Shares in proportion to the amounts paid up thereon respectively otherwise than in advance of calls and so that all dividends shall be apportioned and paid *pro rata* according to the portion or portions of the period in respect of which the dividend is paid during which any such amount or amounts were paid up. If any share is issued upon terms providing that it shall rank for dividend as from or after, a particular date, or be entitled to dividends declared after a particular date, such share shall rank for or be entitled to dividend accordingly. Dividends may be paid in any currency.
- (f) The Directors may deduct from any dividend payable to any member in respect of a share all moneys presently payable by him to the Company in respect of that share.
- (g) A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied in whole or part by the distribution of assets in accordance with the Articles.
- (h) No dividend or other moneys payable in respect of a share shall bear interest against the company unless otherwise provided by the rights attached to the share.
- (i) Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

2.4.2.1.3 Distribution of assets on a liquidation

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and in compliance with the Act, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

2.4.2.1.4 Variation of class rights

Whenever the share capital is divided into different classes of shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be modified, varied, extended, abrogated or surrendered

either in such manner (if any) as may be provided by such rights or (in the absence of any such provision) with the written consent of the holders of at least three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. Unless otherwise provided by the rights attached to shares, those rights shall be deemed to be varied by the reduction of the capital paid up on the shares and by the allotment of further shares ranking in priority for payment of a dividend or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares.

2.4.2.1.5 Restrictions on transferability of shares

The Directors may in their absolute discretion, and without assigning any reason therefor, refuse to register or authorise the registration of any transfer of a share:

- (a) which is not fully paid and on which the Company has a lien and provided the Directors do not prevent dealings in the share from taking place;
- (b) whether fully paid or not, it is in favour of more than four persons jointly;
- (c) if:
 - (i) a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares; and
 - (ii) the share or shares which are the subject of that notice represent in aggregate at least 0.25 per cent of that class of share; and
 - (iii) the notice has not been complied with within the period stipulated in the notice (which must not be less than 14 days) and continues not to be complied with;

unless the transfer in question was effected pursuant to a sale through a recognised investment exchange (as defined in the Financial Services and Markets Act 2000) or other recognised market or as a result of an acceptance of a take-over offer for the Company or the Directors are satisfied that it was effected pursuant to a *bona fide* sale to an unconnected person.

Directors may also decline to recognise a transfer of shares unless it is in respect of only one class of share and is deposited at the place where the register of members of the Company is kept for the time being (or at such other place as the Directors may from time to time determine) accompanied (save in the case of a transfer by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange (as defined in the Financial Services and Markets Act 2000), unless and to the extent that certificates must by law have been issued in respect of the shares in question) by the relevant share certificate(s) and in any case such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Articles do not contain any pre-emption rights relating to transfers of shares.

2.4.2.1.6 Redeemable Shares

Subject to the provisions of its Articles, the Company may by special resolution create and sanction the issue of shares which are, or at the option of the Company or holder are, liable to be redeemed subject to and in accordance with the provisions of the Act.

2.4.2.1.7 Non-UK Shareholders

There is no limitation in the Memorandum or Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company, including notices of general meetings, unless he has given an address in the UK to the Company to which such notices may be sent.

2.4.2.1.8 Directors' Borrowing powers

Subject to the provisions of the Articles the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary of the Company or its holding company or of any third party.

2.4.2.1.9 Meetings

The Directors may call general meetings and on the requisition of members pursuant to the provisions of the Act shall forthwith proceed to convene an extraordinary general meeting not later than eight weeks after receipt of the requisition.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution require to be called by at least 21 clear days' notice. All other extraordinary general meetings require to be called by at least 14 clear days' notice: but a general meeting may be called by shorter notice if it is so agreed:

2.4.2.1.9.1 in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and

2.4.2.1.9.2 in the case of an extraordinary general meeting for the passing of a special resolution, by a majority of the members entitled to attend and vote at the meeting; and

2.4.2.1.9.3 in the case of any other meeting, by a majority in number of the members entitled to attend and vote at the meeting.

For the purposes of 2.4.2.1.9.2 and 2.4.2.1.9.3 a majority is such percentage (being not less than 90 per cent) in nominal value of the shares, having the right to attend and vote at the meeting, determined by the Company for the purposes of any elective resolution of the Company; or if no determination has been made by the Company, not less than 95 per cent. in nominal value of the shares giving the right to attend and vote at the meeting.

2.4.2.1.10 Directors

The Articles contain the following provisions in relation to the Directors:

2.4.2.1.10.1 Unless otherwise determined by ordinary resolution the number of Directors shall not be subject to any maximum but shall not be less than two. The Directors may appoint a person to be a Director. A Director so appointed by the Directors in any year in respect of which there is no valid and subsisting election for the purposes of section 366A of the Act shall only hold office until the next following annual general meeting and, if not reappointed, shall vacate office. The Articles contain the usual provisions relating to alternate Directors.

2.4.2.1.10.2 The Directors may delegate any of their powers to (i) any managing Director or any Director holding any other executive office and (ii) to any committee consisting of one or more Directors.

2.4.2.1.10.3 The office of a Director shall be vacated if he (i) ceases to be a Director or he becomes prohibited by law from being a Director, (ii) becomes bankrupt or makes any arrangement or composition with his creditors generally, (iii) is, or may be, suffering from a mental disorder, (iv) resigns his office, or (v) shall for more than 6 consecutive months have been absent without permission of the Directors from meetings of Directors held during that period and the Directors resolve that his office be vacated.

2.4.2.1.10.4 The Directors shall be entitled to such remuneration as the Company may by ordinary resolution determine. The Directors may be paid for all expenses properly incurred by them in connection with their attendance at meetings. The Company may provide benefits for any Director or any person who is or was dependent on him.

2.4.2.1.10.5 A Director may notwithstanding his office: (i) be a party to, or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested; and (ii) be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is interested.

2.4.2.1.10.6 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. The quorum for the transaction of the Directors may be fixed by the Directors and unless so fixed shall be two.

2.4.2.1.10.7 Save as otherwise provided by the Articles, a Director shall not vote at a meeting, or at a committee meeting, of the Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest which is material and which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

2.5 **Directors and other interests**

2.5.1 The interests of the Directors and the Proposed Director and the persons connected with them all of which are beneficial (which have been notified to the Company pursuant to Section 324 and 328 of the Act or are required to be disclosed in the Register of Directors interests pursuant to Section 325 of the Act) as at the date of this document and as expected to be immediately following the Placing and Admission (assuming full subscription under the Placing) are as follows:

<i>Name</i>	<i>Directors and Proposed Director prior to the Placing and Admission</i>	
	<i>Number of issued Existing Ordinary Shares prior to the Placing/ Acquisition and Consolidation</i>	<i>Percentage of issued Existing Ordinary Shares prior to the Placing/ Acquisition and Consolidation</i>
D E Evans	–	–
A W Shepherd	32,102,755	26.05
K A Harbinson	1,555,355	1.26
M S Gurner	3,666,866	2.98
Total	37,324,976	30.29

<i>Name</i>	<i>Existing Directors and Proposed Directors immediately following the Placing and Admission</i>		
	<i>Number of issued New Ordinary Shares following the Placing/Acquisition and Consolidation</i>	<i>Percentage of issued New Ordinary Shares following the Placing/ Acquisition and Consolidation</i>	<i>Deferred Shares after the Placing/ Acquisition and Consolidation</i>
D E Evans	100,000	0.67	
A W Shepherd	902,568	6.06	32,102,755
K A Harbinson	38,883	0.26	1,555,355
M S Gurner	91,671	0.62	3,666,866
MS Walker*	4,461,220	29.99	
Total	5,594,342	37.61	

*shares held through ECS International Trustees (Gibraltar) Ltd

- 2.5.2 In addition to the holdings disclosed in paragraph 2.5.1 above as at the date of this document, the Company had been notified of the following holdings which will, following the Acquisition, the Placing and the Consolidation represent more than 3 per cent. of the issued share capital of the Company (assuming full subscription under the Placing):

<i>Name</i>	<i>Number of issued New Ordinary Shares following the Placing</i>	<i>Percentage of issued New Ordinary Shares following the Placing</i>
Kaupthing Singer & Friedlander Group	2,076,666	13.96%
Brewin Dolphin Securities	1,799,999	12.10%
Williams de Broe	1,200,000	8.07%
New Star Asset Management	833,332	5.60%
Scottish Enterprise	<u>453,252</u>	<u>3.05%</u>

- 2.5.3 Save as disclosed in paragraph 2.5.1 and 2.5.2 above, none of the Directors and the Proposed Director is aware of any interest (within the meaning of Part VI of the Act) which will immediately following Admission (assuming full subscription under the Placing) represent 3 per cent. or more of the issued share capital of the Company or which directly or indirectly, jointly or severally, exercises or could exercise control of the Company.
- 2.5.4 Save as disclosed in this document, no Ongoing Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 2.5.5 Save as disclosed in this paragraph none of the Directors or the Proposed Director are aware of any interest (within the meaning of Part VI of the Act) held by a connected adviser of the Company.]

2.6 **Summary of Proposed Share Option Scheme**

2.6.1 Introduction

It is proposed that the Company will, subject to shareholder approval, establish and operate the Share Option Scheme. The purpose of this arrangement is to seek to recruit and retain employees of the Enlarged Group and to seek to align the interests of employees with the interests of shareholders by providing a share-based incentive.

The Share Option Scheme is a discretionary arrangement. It will be operated and administered by the board of directors of the Company.

It is intended that the Share Option Scheme will be run as an Enterprise Management Incentive Scheme ("EMI Scheme"). An EMI Scheme is a form of tax favoured share option scheme which must comply with the rules and regulations from HMRC.

2.6.2 Eligibility

All employees of the Enlarged Group will generally be eligible to have options granted to them under the Share Option Scheme. Eligible employees have to be employed by a company within the Enlarged Group for at least 25 hours per week or, if less, 75 per cent. of their time.

2.6.3 Grant of Options

Options over the Company's shares may be granted at the discretion of the board of directors of the Company. Options may only be granted within a period of forty-two days after the date on which the annual or half-yearly results of the Company are announced.

Options will not be granted under the Share Option Scheme after the tenth anniversary of the adoption of the Share Option Scheme.

2.6.4 Non transferability of options

No option may be transferred in any way, although the executors and personal representatives of a deceased optionholder may, in certain circumstances, exercise options held by the deceased optionholder.

2.6.5 Exercise Price

The price payable by an employee on the exercise of an option granted under the Share Option Scheme will be fixed by the board of directors of the Company at the time of the grant of the relevant option. The price payable will be what the board of directors of the Company consider to be the market value of the option shares at the time of the grant (which will normally be the mid-market closing price of shares on the day immediately prior to the date of grant) or if higher, their nominal value.

2.6.6 Exercise

Options which have not lapsed will become exercisable on the first anniversary of the date of grant and will generally remain exercisable until the tenth anniversary of the day immediately before the date of grant. To the extent that options have not been exercised at the end of this period, they will lapse.

The exercise of any options will be subject to the satisfaction of any performance conditions stipulated by the Company (unless they have been waived by the board of directors of the Company).

If an optionholder dies or ceases to be an employee of the Enlarged Group, as a result of injury, disability, incapacity, retirement or redundancy then the employees options will remain exercisable for a limited period provided that is within the exercise period and they are otherwise exercisable as referred to above.

Company shares allotted on the exercise of options will rank equally with all the other Company shares for the time being in issue.

2.6.7 Individual limits

Share options with a market value of up to £100,000 may be granted to a qualifying employee.

There is an overall limit that not more than £3 million worth of unexercised options (valued at the date of grant) may be granted under the Share Option Scheme in order for the scheme to qualify as an EMI Scheme.

2.7 **Directors' service agreements/letters of appointment**

2.7.1 On 18 March 2004 M S Gurner entered into an executive service agreement with the Company under which Mr Gurner agreed to act as a director of the Company for a fee of £75,000 per annum. Mr Gurner thereafter agreed that he was not entitled to payment of any remuneration for his services until the Company completed its first acquisition following its admission to AIM. The notice period under that contract was 12 months. Following completion of the 2006 Acquisition, Mr Gurner and the Company agreed that his executive service agreement would terminate in accordance with the terms of a conditional compromise agreement between the Company and Mr Gurner, dated 23 August 2006 which provided, *inter alia*, for a termination payment to Mr Gurner of £10,000 and reimbursement of associated legal fees. With effect from 18 September 2006 Mr Gurner has served as non-executive director with a fee of £15,000 per annum terminable on 1 month's notice by either party.

2.7.2 On 18 September 2006 A W Shepherd was appointed as Chief Executive of the Company at a salary of £85,000 per annum. His service agreement also provides for contributions by the Company, amounting to 5 per cent. of gross salary, into a defined contribution pension scheme and is terminable by 12 months' notice given by either party.

2.7.3 On 18 September 2006 K A Harbinson was appointed as Finance Director at a salary of £72,500 per annum. His service agreement also provides for contributions by the Company, amounting to 5 per cent. of gross salary, into a defined contribution pension scheme and is terminable by 3 months' notice given by either party.

2.7.4 On 18 September 2006 D E Evans was appointed as Non-Executive Chairman of the Company. He will receive no remuneration until 31 March 2008 and thereafter will receive a fee of £15,000 per annum. This arrangement is terminable on 1 month's notice by either party.

2.7.5 Conditional on Completion M S Walker will be appointed as a Non-Executive director of the Company. He will receive a fee of £15,000 per annum terminable on 1 months notice by either party.

- 2.7.6 There are no service contracts, existing or proposed, between any Director and the Company that provide for any commission or profit sharing arrangements, compensation payable upon early termination of the contract or any other arrangements that are not described in paragraphs 2.7.1 to 2.7.5 above.
- 2.7.7 Save as disclosed in paragraphs 2.7.1 to 2.7.6 above, there are no service contracts, existing or proposed, between any Director and the Company and no such contract has been amended within six months prior to the date of this document.
- 2.7.8 The aggregate remuneration and benefits in kind paid by the Company to its directors in respect of the 12 month period ended 31 March 2007 was £192,003. The aggregate remuneration and benefits in kind paid by Genesis to its directors in respect of the 12 month period ended 31 October 2006 was £195,258. The aggregate remuneration and benefits in kind paid by CNS to its directors in respect of the 12 month period ended 31 October 2006 was £Nil.

2.8 **Additional information on the Board**

- 2.8.1 In addition to directorships of the Company the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document.

Directors

David Eric Evans

Current directorships

BBI Holdings Public Limited Company
 DxS Genotyping Limited
 Epistem Limited
 Immunodiagnostic Systems Holdings Public Limited Company
 Microtest Matrices Limited
 Secure Design KK
 Storyland Group plc
 Storyland Limited
 Vindon Healthcare plc
 Epistem Holdings PLC

Directorships in the last 5 years

Acolyte Biomedica Limited
 Electro-medical Limited
 Eurodiagnostica BV
 Haptogen Limited
 Immunodiagnostic Systems Limited
 Nestech Limited
 Omega Diagnostics Limited
 PDG 2 Ltd
 Physiomics plc
 Scottish Enterprise Tayside Limited
 Immunodiagnostic Systems Limited
 Platform Diagnostics Limited
 Chromogenex plc
 CY Realisations Limited

Andrew William Shepherd

Current directorships

Cardiopath Limited
 Omega Diagnostics Limited
 Omega Resources Limited
 Parker & Joules Limited

Directorships in the last 5 years

Riverside Biosciences Ltd

Kieron Antony Harbinson

Current directorships

Cardiopath Limited
 Omega Diagnostics Limited

Directorships in the last 5 years

I-Genomics Limited

Michael Stephen Gurner

Current directorships

Alberdale Catalyst Limited
 Bealaw (692) Limited
 Bealaw (693) Limited
 Holdmer Associates Limited
 James Longley (Holdings) Limited

Directorships in the last 5 years

James Longley & Co. Limited
Lister & Co public limited company
Walcat Ltd.

2.8.1.1 Mr Gurner was appointed a director of Lister & Co. plc ("Lister") on 26 October 1995 at the request of Postern. Lister had made a loss in the five years from 1993 of £18 million. He was also appointed a director of its subsidiary, Fielding & Johnson Limited. Lister was subject to an administration order dated 30 September 1997. At that time, the total deficiency as regards creditors and members was £11,776,476. The company entered into a corporate voluntary arrangement on 6 December 2002. The administration order was discharged on 13 January 2004.

2.8.1.2 Mr Gumer was appointed a director of Adaptprompt Limited on 26 October 1998 and also a director of its two subsidiaries, James Longley (Holdings) Limited and James Longley and Co Limited, on 10 November 1998. At the time of his appointment, the company had accumulated losses of £15 million and the group's financial position was materially weakened when its contract to build Chelsea Village was terminated by the football club. Postern Fund Management Limited, a member of the Postern group of companies, acquired the company and at its request Mr Gurner was appointed to the board. Administrative receivers were appointed for all these companies on 25 June 2000. The companies were placed into creditors' voluntary liquidation on 11 January 2001. Adaptprompt Limited was dissolved on 14 February 2002 with a total deficiency as regards members of £1,383,485. It has been estimated that the total deficiency in respect of James Longley (Holdings) Limited will be £3,837,036 and in the case of James Longley and Co. Limited, £21,474,813.

2.8.1.3 David Eric Evans

Mr Evans was appointed a director of Lineplan Limited on 24 March 1995. Lineplan Limited went into creditors' voluntary liquidation on 18 May 2000. At that time, the Directors' Statement of Affairs showed a creditor shortfall of £72,680.

Mr Evans was appointed a director of Cytocell Limited (now CY Realisations Limited) on 28 November 2000. CY Realisations Limited went into creditors' voluntary liquidation on 11 April 2003. At that time, the Directors' Statement of Affairs showed a creditor shortfall of £237,254 and advised that there would be insufficient funds to pay preferential creditors in full but that any funds available for unsecured creditors would be dependent on the receipt of deferred income.

2.8.1.4 Andrew William Shepherd

Mr Shepherd was appointed a director of Quorum Diagnostics Inc. ("Quorum") a Canadian based wholly-owned subsidiary of Omega Diagnostics Limited, in 1995. The Company was loss making and efforts to raise further finance and/or sell the company were unsuccessful. Quorum's Canadian bankers appointed a Receiver in May 2000. The amount owed to creditors was C\$2,130,443 of which C\$1,420,000 was owed to Omega Diagnostics Limited, the parent company.

2.9 **Additional information on the Directors after the Acquisition**

2.9.1 The Ongoing Directors hold or have held the following directorships or have been partners in the following partnerships in the five years prior to the date of this document:

The Directors

The relevant details for Mr Evans, Mr Shepherd, Mr Harbinson and Mr Gumer are set out directly above.

The Details for Michael Strachan Walker are as follows:

Current Directorships

Biosurgical Products Limited
Cambridge Nutritional Sciences Limited
Genesis Diagnostics Limited

Directorships in the last 5 years

None

2.9.2 Save as disclosed above none of the Ongoing Directors has:

- 2.9.2.1 any unspent convictions in relation to indictable offences;
- 2.9.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 2.9.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- 2.9.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 2.9.2.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 2.9.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 2.9.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

2.10 **Material contracts of the Company**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period from incorporation to the date immediately preceding the date of this document and are, or may be, material:

2.10.1 *Placing Agreement*

An agreement (the "Placing Agreement") dated 3 August 2007, between (1) the Company, (2) the Ongoing Directors and (3) Teather & Greenwood pursuant to which Teather & Greenwood has agreed to use its reasonable endeavours to procure subscribers for up to 7,333,333 New Ordinary Shares to be issued by the Company at the Placing Price.

The Placing Agreement provides for the payment by the Company to Teather & Greenwood of a fee of £162,500 and a commission of 4 per cent. of the aggregate value of the Placing Shares at the Placing Price. The Company shall also pay all costs, charges and expenses (including any applicable VAT) of and relating to the Placing and the issue of the Placing Shares, including all fees and expenses payable in connection with Admission.

The Placing Agreement contains indemnities and warranties from the Company and warranties from the Ongoing Directors in favour of Teather & Greenwood.

The obligations of Teather & Greenwood are conditional upon, inter alia, the passing of the Resolutions and the Acquisition Agreement becoming unconditional. The Placing Agreement is terminable in certain circumstances by Teather & Greenwood prior to Admission.

There are lock-in arrangements referred to in the Placing Agreement details of which are set out in 2.10.2 below.

- 2.10.2 An agreement ("the 2006 Placing Agreement") dated 23 August 2006, between (1) the Company, (2) the directors of the Company, (3) the directors of Omega Diagnostics Limited, (4) City Financial Associates Limited and (5) Seymour Pierce Ellis Limited pursuant to which Seymour Pierce Ellis Limited agreed to use its reasonable endeavours to procure subscribers ("Placees") for up to 50,000,000 Existing Ordinary Shares proposed to be issued by the Company at the 2006 Placing Price.

The 2006 Placing Agreement provided for the payment by the Company to Seymour Pierce Ellis Limited of a fee of £20,000 and a commission of 4 per cent on the aggregate value of the 2006 Placing Shares at the 2006 Placing Price. The Company also paid a corporate finance fee of £75,000 (plus VAT) to City Financial Associates Limited (of which they undertook to use £10,000 to subscribe for New Ordinary Shares at the 2006 Placing Price). The Company agreed to pay certain other costs and expenses

(including any applicable VAT) of, or incidental to, the 2006 Placing including all fees and expenses payable in connection with the 2006 Admission.

The 2006 Placing Agreement contained indemnities and warranties from the Company and warranties from certain directors in favour of City Financial Associates Limited and Seymour Pierce Ellis Limited acting as trustee in favour of subscribers to the 2006 Placing. The liability of the directors for breach of warranty was limited.

There are lock-in arrangements referred to in the 2006 Placing Agreement details of which are set out in 2.10.8 below.

- 2.10.3 Nominated Adviser Agreement dated 3 August 2007 between (1) the Company and (2) Teather & Greenwood pursuant to which the Company appointed Teather & Greenwood to act as nominated adviser and broker to the Company. The Company agreed to pay Teather & Greenwood a fee of £32,500 plus VAT per annum for its services as nominated adviser and broker from 6 August 2007. The Agreement continues for a minimum period of 12 months and is subject to termination thereafter on the giving of 3 months' prior written notice.
- 2.10.4 Nominated Adviser Agreement dated 23 August 2006 between (1) the Company, (2) its directors and (3) City Financial Associates Limited pursuant to which the Company appointed City Financial Associates Limited to act as Nominated Adviser to the Company. The Company agreed to pay City Financial Associates Limited a fee of £17,500 per annum for its services as Nominated Adviser under this agreement from the date of the 2006 Admission. The agreement continued for a fixed period of one year from the date of the agreement and thereafter was subject to termination on the giving of 3 months' written notice by either party. This Agreement was terminated on 3 August 2007.
- 2.10.5 Broker Agreement dated 23 August 2006 between (1) the Company and (2) Seymour Pierce Ellis Limited pursuant to which conditional on the 2006 Admission the Company appointed Seymour Pierce Ellis Limited to act as broker to the Company for the purposes of the AIM Rules, for a fee of £15,000 (plus VAT) per annum payable every six months in advance for a fixed period of 12 months from the date of the agreement and thereafter subject to termination on the giving of 3 months' notice.
- 2.10.6 The Acquisition Agreement being an agreement for the sale and purchase of the entire issued share capitals of Genesis and CNS between the Vendors and the Company dated 3 August 2007. Pursuant to the Acquisition Agreement, the Company has agreed to purchase the entire issued share capital of Genesis and CNS subject to satisfaction of a number of conditions being (1) the Placing Agreement becoming and remaining unconditional in all respects (subject only to the condition relating to Admission set out in the Placing Agreement and interconditionality with the Acquisition Agreement) and not having lapsed or been terminated in accordance with its terms, (2) Second Admission having become effective not later than 8.00am on the second Business Day following the day of Conditional Completion or such later date as the parties to the Placing Agreement may agree in writing not being later than 5pm on the Longstop Date (3) the despatch by the Company of this Document, and (4) the passing, at the EGM, of the Resolutions.

The total consideration payable by the Company pursuant to the Acquisition Agreement is up to £6,700,000. £3,200,000 will be payable in cash at Completion; £1,400,000 of the consideration will be payable at Completion by the issue of such number of Consideration Shares at the Placing Price as may be allotted and issued fully paid by the Company as to equate to the lesser of £1,400,000 or 29.99 per cent. of the Enlarged Issued Share Capital an amount in cash equal to the difference between the value of the Consideration Shares in the Placing Price and £1,400,000 to be payable one year after Completion and £1,100,000 will be settled by the issue of loan notes by the Company at completion. The remainder of any consideration, up to a maximum of £1,000,000 is subject to an earn out calculation. This will be an amount which is equal to 7 per cent. of the sales of Genesis Products and CNS Products in each year of the Earn Out Period in respect of which: (i) are invoiced during each such year and (ii) payment for such invoices has actually been received by Genesis-CNS within 3 months of the end of each year of the Earn Out Period or within the Earn Out Period. The earn out is to be satisfied by the payment of cash.

The Acquisition Agreement contains warranties in favour of the Company given by the Warrantors. The Warrantors are also granting taxation indemnities in favour of the Company whereby the Warrantors agree to indemnify the Company for tax liability incurred in respect of Genesis and CNS which arise, after Completion but is attributable to the period prior to Completion. The time limit for bringing any claims in terms of the warranties given (other than any taxation warranties) expires on the date falling 3 calendar months after AGM approval of the accounts for the Enlarged Group for the period to 31 March 2008. The time limit for any claims pursuant to the taxation warranties or the taxation indemnities expires on

the seventh anniversary of the date of the Acquisition Agreement. The maximum aggregate liability of the Warrantors under the warranties and the taxation indemnity is the sum of £5,700,000.

The Vendors have given various undertakings to the Company in terms of the running of the business of Genesis and CNS in the Interim Period.

2.10.7 The loan notes instrument creating £1,100,000 unsecured loan notes 2015 to be issued by the Company as part of the consideration payable pursuant to the Acquisition Agreement. The loan notes will be redeemed in three equal tranches of £360,000 payable on 30 September in each of the years 2012, 2013 and 2014 and a final payment of £20,000 on 30 September 2015. If any of those days is not a Business Day, the relevant amount will fall payable on the first Business Day thereafter. Interest will be applied on outstanding sums at the base rate, from time to time, of the Bank of England although no interest payments will be made until the date of the final repayment of principal on 30 September 2015.

2.10.8 *2006 Acquisition Agreement*

The 2006 Acquisition Agreement being an agreement for the sale and purchase of the issued share capital of Omega Diagnostics Ltd between the vendors specified thereon and the Company dated 23 August 2006. Pursuant to the 2006 Acquisition Agreement, the Company agreed to purchase the entire issued share capital of Omega Diagnostics Ltd subject to satisfaction of a number of conditions which were satisfied on or by 18 September 2006.

The total consideration payable by the Company pursuant to the 2006 Acquisition Agreement was up to £3,000,000 to be settled entirely by the issue of Ordinary Shares. £1,212,000 of the consideration was paid on 18 September 2006 by the issue of the 2006 Acquisition Initial Consideration Shares in proportion to the vendors' respective shareholdings in Omega Diagnostics Ltd. The remainder of any consideration (the "2006 Earn Out"), up to a maximum of £1,788,000, is subject to an earn out calculation. This will be an amount (of up to £1,788,000) which is equal to two times the EBITDA of the Enlarged Group for the financial year ending 31 March 2008 as evidenced by the Enlarged Group's accounts for such period but to the extent that such amount exceeds £770,000, the amount by which it exceeds £770,000 shall only be included in the earn out calculation and therefore becomes due and payable if EBITDA per share (being EBITDA divided by the weighted average number of Existing Ordinary Shares in issue) is equal to or greater than 0.2 pence. The 2006 Earn Out is to be satisfied wholly by the allotment of New Ordinary Shares.

The 2006 Acquisition Agreement contains warranties in favour of the Company given by Andrew Shepherd and Kieron Harbinson as Warrantors. They also granted a taxation indemnity in favour of the Company whereby they agreed to indemnify the Company for tax liability incurred in respect of Omega Diagnostics Ltd and its then subsidiaries which may arise after completion of the 2006 Acquisition but is attributable to the period prior to such date. The time limit for bringing any claims in terms of the warranties given (other than any taxation warranties) expires on the date falling 2 months from the date of signature by the auditors of the accounts for the year ending 31 March 2008 and the time limit for any claims pursuant to the taxation warranties or the taxation indemnity expires on the seventh anniversary of 18 September 2013. The maximum aggregate liability of Mr Shepherd and Mr Harbinson as the warrantors under the warranties and the taxation indemnity is the aggregate of the sum of £1,212,000 referred to above and the amount of the 2006 Earn Out.

In terms of the 2006 Acquisition Agreement, Mr Shepherd and Mr Harbinson have given certain restrictive covenants to apply for the period to 18 September 2008 or (if later) for the period of twelve months from the date of his ceasing to be employed by any member of the Enlarged Group in order to protect the business of Omega Diagnostics Ltd.

2.10.9 *Lock-In and Orderly Market Agreements*

2.10.9.1 Each of the Ongoing Directors (pursuant to the Placing Agreement) and ECS International Trustees (Gibraltar) Ltd ("ECS") (pursuant to a separate lock-in agreement entered into with Teather & Greenwood dated 3 August 2007) have undertaken that, subject to certain limited exceptions, they or their connected persons will not sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in New Ordinary Shares held by them respectively until after publication of the Enlarged Group's results for the year ended 31 March 2008. In addition the Ongoing Directors and ECS have agreed that any sale or disposal of their New Ordinary Shares for a further period of 12 months, will be effected through Teather & Greenwood with its consent so as to maintain an orderly market in the Company's shares.

2.10.9.2 Lock-in Agreements (the “2006 Lock-in Agreements”) were entered into by each of Michael Gurner, Andrew Shepherd, Kieron Harbinson and 2 former directors of Omega, Robert Coe and Graeme Ashley in favour of the Company, City Financial Associates Limited and Seymour Pierce Ellis Limited dated 23 August 2006 in terms of which they have undertaken not to dispose or agree to dispose of (a) any ordinary shares or other securities issued by the Company held by them at 19 September 2006 (the “Initial Shares”) or (b) any interest that they have in any such Ordinary Shares or such other securities or rights arising from any such shares or other securities or attached to any such shares or other securities (“Interest”), at any time prior to the date of publication of the Company’s interim results for the six month period ending 30 September 2007.

They have further undertaken to City Financial Associates Limited, Seymour Pierce Ellis Limited and the Company not to dispose of, or agree to dispose of, any Initial Shares or any Interest at any time during the period after the date of publication of the Company’s interim results for the six month period ending 30 September 2007 and prior to the date of publication of the Company’s interim results for the six month period ending 30 September 2008 unless (i) they shall have consulted with Seymour Pierce Ellis Limited and City Financial Associates Limited (or the Company’s then nominated adviser if City Financial Associates Limited is no longer so appointed) in relation to any such disposal or agreement, and (ii) (unless the disposal is by private arrangement) such disposal is effected through the Company’s broker from time to time (provided the price is the best price reasonably obtainable and the costs and expenses proposed to be charged by such broker are no higher than those charged by other brokers) and in such manner as such broker may require with a view to the maintenance of an orderly market in the shares of the Company.

The 2006 Lock-In Agreement further states that to the extent that Andrew Shepherd or Kieron Harbinson acquires any Earn Out Shares they have undertaken not to dispose of any 2006 Earn Out Shares or any Interest that they have in such 2006 Earn Out Shares or such other securities or rights arising from any such shares or other securities or attached to any such shares or other securities at any time prior to the date of publication of the Company’s annual results for the financial year ending 31 March 2009 and have confirmed that the orderly market restriction with respect to disposal of any 2006 Earn Out Shares or Interest in such shares on the terms set out in the paragraph above shall apply during the period from issue of such shares to the date of publication of the Company’s annual results for the financial year ending 31 March 2010.

Lock-in agreements have been entered into by each of the vendors under the 2006 Acquisition Agreement, other than Andrew Shepherd and Kieron Harbinson, in favour of City Financial Associates Limited, Seymour Pierce Ellis Limited and the Company whereby each of those vendors undertook not to dispose of, or agree to dispose of, (a) any ordinary shares or other securities issued by the Company held by them at 19 September 2006 or (b) any interest that they have in any such ordinary Shares or such other securities or rights arising from any such shares or other securities or attached to any such shares or other securities, at any time prior to the date of publication of the Company’s interim results for the six month period ending 30 September 2007 unless (i) they shall have consulted with CFA (or the Company’s then nominated adviser if City Financial Associates Limited is no longer so appointed) in relation to any such disposal or agreement, and (ii) (unless the disposal is by private arrangement) such disposal is effected through the Company’s broker from time to time (provided the price is the best price reasonably obtainable and the costs and expenses proposed to be charged by such broker are no higher than those charged by other brokers) and in such manner as such broker may require with a view to the maintenance of an orderly market in the shares of the Company.

In addition, these lock-in agreements state that to the extent that such vendors acquire further ordinary shares in the Company as 2006 Earn Out Shares under the terms of the 2006 Acquisition Agreement, they have confirmed that the orderly market restriction with respect to disposal of any 2006 Earn Out Shares or interest in such shares on the terms set out in the paragraph above shall apply during the period from issue of such shares to the date of publication of the Company’s annual results for the financial year ending 31 March 2009.

The restrictions set out in all of the above detailed lock-in agreements do not prohibit the disposal of or agreeing to dispose of any 2006 Acquisition Initial Consideration Shares or any 2006 Earn Out Shares in certain specific circumstances including (i) the acceptance of a takeover offer for the Company, (ii) the giving of an irrevocable undertaking to accept a takeover offer, (iii) death, (iv) pursuant to a court order, (v) certain transfers into trusts, or (vi) to fund a claim against the relevant Vendor/Director under the 2006 Acquisition Agreement or the 2006 Placing Agreement.

2.10.10 Andrew Shepherd – Deferred Salary Arrangement

The Company entered into a Deferred Salary Agreement with Andrew Shepherd, one of the vendors under the 2006 Acquisition Agreement and a Director of the Company, dated 23 August 2006. Andrew Shepherd had agreed with Omega Diagnostics Ltd on 17 July 2002 to defer part of his salary and the amount outstanding as at 31 March 2007 was £104,000 (“the Deferred Amount”). Pursuant to the Deferred Salary Agreement, the Company agreed that payment of the Deferred Amount will occur no earlier than 1 April 2009 and then, only when the annual results of the Enlarged Group evidence profits before tax of not less than £500,000. The Deferred Amount, provided that the aforesaid condition had been met, would have been payable, at the option of Andrew Shepherd, either in cash or in 5,208,325 Ordinary Shares. In February 2007, Andrew Shepherd waived his rights under this agreement.

2.10.11 Kieron Harbinson – Option Arrangement

On 23 August 2006, Kieron Harbinson agreed to terminate a previous agreement whereby he had an option to acquire 23,278 Ordinary Shares in Omega Diagnostics Limited (“ODL”) at an exercise price of 84.9 pence per share. In consideration for terminating this arrangement, Omega undertook on the same date to establish an appropriate share option scheme at some future point under which Kieron Harbinson would be granted an option to subscribe for 2,800,800 Existing Ordinary Shares at an exercise price of 2 pence per share. As at 31 March 2007, no share option scheme was yet in force. As a result of such undertaking, it is the Ongoing Directors’ intention to grant options over 70,020 New Ordinary Shares to Kieron Harbinson at an exercise price of 80p per New Ordinary Share, under the Share Option Scheme.

2.10.12 David Evans – Warrant

The Company issued a warrant to David Evans a Director of the Company entitling David Evans to subscribe, from 1 April 2008 until 18 September 2009, for 6,088,843 Existing Ordinary Shares of 1p each in the capital of the Company. The subscription price was 2p per Existing Ordinary Share. In February 2007, David Evans waived his rights under this agreement.

2.10.13 2006 Warrant Issue

By a deed poll executed on 23 August 2006 the Company adopted the 2006 Warrant Instrument and constituted 5,588,432 Warrants to subscribe for Existing Ordinary Shares at 2 pence per share (equivalent to 80p per New Ordinary Share).

The Company issued 1 Warrant for every 2 Existing Ordinary Shares. Fractional entitlements were ignored. No application has been or is intended to be made for the 2006 Warrants to be admitted to trading on AIM.

The principal terms of the 2006 Warrant Instrument are as follows:

- (a) each 2006 Warrant will entitle the holder thereof to subscribe for one Existing Ordinary Share at 2 pence per Existing Ordinary Share (equivalent to 80p per New Ordinary Share) which may be exercised at any time from 1 April 2008 until 19 September 2009;
- (b) New Ordinary Shares issued on the exercise of the 2006 Warrants will rank for dividends or other distributions declared, made or paid after the date of exercise, but not on or before such date and otherwise *pari passu* in all respects with the New Ordinary Shares in issue on the date of such exercise;
- (c) the 2006 Warrant Instrument contained provisions for appropriate adjustment of the number of Ordinary Shares issued on the exercise of the 2006 Warrants and the subscription price upon a capitalisation of profits or reserves, a bonus or rights issue or on a sub-division or consolidation of share capital;
- (d) the rights and privileges of the holders of the 2006 Warrants may be altered or abrogated with the sanction of an extraordinary resolution of the 2006 Warrantholders;
- (e) the 2006 Warrants, which are registered, are not be transferable, save with the consent of the Company;
- (f) so long as any of the subscription rights under the 2006 Warrants remain exercisable, the Company will not:

- (i) issue any securities by way of capitalisation of reserves, or profits other than ordinary shares issued to holders of ordinary shares credited as fully paid up;
 - (ii) make any distribution out of capital profits or capital reserves otherwise than by way of a capitalisation of such profits or reserves in the form of fully paid ordinary shares;
 - (iii) issue or create any new class of shares which, as regards rights to voting, dividends or capital, have more favourable rights than those attached to the Existing Ordinary Shares;
 - (iv) modify the rights attached to the Existing Ordinary Shares or to any other class of shares so that they have more favourable rights than those attached to the Existing Ordinary Shares;
 - (v) issue any ordinary shares credited as fully paid by way of capitalisation of profits or reserves if as a result the Company would, on any subsequent exercise of the 2006 Warrants, be obliged to issue ordinary shares at a discount to nominal value; or
 - (vi) reduce its share capital (except in certain limited circumstances and except with the sanction of an extraordinary resolution of the 2006 Warrantheolders) or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by the Act) any share premium account or capital redemption reserve or purchase any of its own share capital;
- (g) full exercise of the subscription rights under the 2006 Warrants will result in the issue of up to 5,588,432 Existing Ordinary Shares; equivalent to 139,710 New Ordinary Shares;
 - (h) if a takeover offer is made to all holders of Ordinary Shares, the Company shall use reasonable endeavours to procure a comparable offer for 2006 Warrantheolders; and
 - (i) a 2006 Warrantheolder may exercise his rights to subscribe for ordinary shares in whole but not in part.

2.10.14 Acquisition Finance Facility Letter from Bank of Scotland and accepted by the Company on 3 August 2007 for term facilities of £1.2m, subject to certain conditions precedent including the completion of the Acquisition, the Placing and Admission.

2.11 **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against the Company of which the Company is aware) which have, or may have, or have had since incorporation, a significant effect on the Company's financial position.

2.12 **Group Structure**

Prior to the completion of the Acquisition, the Company has one wholly owned operating subsidiary Omega Diagnostics Ltd (SC107178) which was incorporated and registered in Scotland on 15 October 1987 as a private limited company with the name Randotte (No. 139) Limited. On 16 December 1987 by special resolution it changed its name to Omega Diagnostics Limited. Its registered office is at Level 2 Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ET. It also has three wholly owned subsidiary companies, Bealaw (692) Limited, Bealaw (693) Limited and Cardiopath Limited, which are dormant. Bealaw (692) Limited was incorporated in England and Wales on 3 March 2004 with registered number 05062280. Bealaw (693) Limited was incorporated in England and Wales on 3 March 2004 with registered number 05062276. Both Bealaw (692) Limited and Bealaw (693) Limited have their registered office at One London Wall, London EC2Y 5AB. Cardiopath Limited (SC194466) was incorporated in Scotland on 19 March 1999 and has its registered office at 151 St Vincent Street, Glasgow G2 5NJ.

3. **Further information on Genesis and CNS**

3.1 **Directors**

The Directors of Genesis and CNS are: Dr Michael Strachan Walker and Irene Crawford Walker.

3.2 **Incorporation of Genesis and CNS**

The accounting reference dates of Genesis and CNS is 31 October.

3.3 Share capital of Genesis and CNS

3.3.1 Genesis

3.3.1.1 At 3 May 1994, its date of incorporation, Genesis had an authorised share capital of £2 divided into 2 ordinary shares of £1 each of which 2 subscriber shares were issued.

3.3.1.2 On 31 May 1994 Genesis increased its authorised share capital from £2 to £1,000 by the creation of 998 shares of £1 each by ordinary resolution.

3.3.2 CNS

3.3.2.1 At 18 April 2001, its date of incorporation, CNS had an authorised share capital of £1,000 divided into 1,000 shares of £1 each of which 1 subscriber share was issued.

3.3.3 The existing shareholdings in Genesis and CNS are as follows:

<i>Genesis</i>	<i>Number of Shares</i>	<i>Percentage</i>
Dr Michael Strachan Walker	50	5%
ECS International Trustees (Gibraltar) Ltd	<u>950</u>	95%
Total	<u><u>1,000</u></u>	
 <i>CNS</i>		
Dr Michael Strachan Walker	50	50%
Mrs Irene Crawford Walker	<u>50</u>	50%
Total	<u><u>100</u></u>	

3.4 Outstanding loans or guarantees

There are no outstanding loans granted or guarantees provided by Genesis or CNS to or for the benefit of any of the Genesis or CNS Directors.

3.5 Directors and other interests

There are no shareholders in Genesis or CNS other than as set out in paragraph 3.3.3 above. All the interests set out in that paragraph are beneficially owned by the registered holder except for ECS International Trustees (Gibraltar) Ltd which holds its shares for trusts connected with the proposed Director and his family. Other information on the directors of Genesis and CNS is provided at paragraphs 2.7 and 2.8 of Part VII of this document.

3.6 Material contracts of Genesis and CNS

Save as referred to in paragraph 2.10 of this Part VII, there are no contracts, other than those in the ordinary course of business, that have been entered into by Genesis or CNS within the two years immediately preceding the date of this document and which are material in the context of Genesis or CNS. Following Completion, neither Genesis nor CNS will have any contracts which are material in terms of the Enlarged Group.

3.7 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against Genesis or CNS of which either company is aware) which have, or may have, or have had since incorporation, a significant effect on either company's financial position and, so far as the directors of Genesis and CNS are aware, there are no such proceedings pending or threatened against either company.

4. Working capital

The Directors and the Proposed Director are of the opinion, having made due and careful enquiry, that following the Acquisition and the Placing the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the 12 months from the date of Admission.

5. Significant change

- 5.1 Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the Company since 31 March 2007, the date to which the latest audited accounts were prepared.
- 5.2 Save as disclosed in this document, there has been no significant or material change in the financial or trading position of either Genesis or CNS since 31 October 2006, the date to which the latest audited accounts were prepared.
- 5.3 The Ongoing Directors are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospect for at least the current financial year.

6. Middle market quotations

The following table sets out the middle market quotations for an Existing Ordinary Share at the close of business on the first business day of each of the six months immediately prior to 2 August 2007 (the day before the date of this document).

<i>Date</i>	<i>Price per Existing Ordinary Share (pence)</i>
1/3/2007	1.13
2/4/2007	0.75
1/5/2007	0.94
1/6/2007	0.75
1/7/2007	0.90
1/8/2007	0.90

7. Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Existing Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and HMRC practice. Any prospective purchaser of New Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

7.1 Taxation of chargeable gains

For the purpose of UK tax on chargeable gains, the issue of New Ordinary Shares pursuant to the Placing and Acquisition will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a Shareholder acquires New Ordinary Shares allotted to him, the New Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the New Ordinary Shares will constitute the base cost of a Shareholder's holding. Individuals, personal representatives and trustees may be entitled to taper relief. Companies which hold shares as an investment may be entitled to an indexation allowance to reduce the gain chargeable.

If a Shareholder disposes of all or some of his New Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

7.2 Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the New Ordinary Shares.

The transfer or sale of New Ordinary Shares will normally be subject to *ad valorem* stamp duty (rounded up to the nearest £5) at the rate of one-half of one per cent. of the consideration paid. However, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, stamp duty reserve tax will be payable, normally at the rate of one-half of one per cent. of the consideration paid.

7.3 **Dividends and other distributions**

Under current UK legislation, the Company is not required to withhold any amounts in respect of tax from dividend payments it makes. Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent of the aggregate of the cash dividend and associated tax credit. Individual Shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the taxpayer's marginal dividend tax rate being either 10 per cent. or 32.5 per cent.

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent, of the aggregate of the cash dividend and associated tax credit. Individual Shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate Shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's dividend income and are required to account for tax at the dividend trust rate, currently 32.5 per cent.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document.

The comments assume that ordinary shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

7.4 **Inheritance tax**

Ordinary shares in trading companies listed on AIM, generally qualify for 100 per cent. IHT business property relief, provided that they have been held for two years prior to an event that gives rise to an IHT charge. If, however, the Company does not qualify as a trading company or undertakes certain excluded activities this relief will not be available. Any Shareholder who is uncertain of his or her IHT position should consult a professional adviser, especially before making a gift or transfer of their shares.

7.5 **EIS – Introduction**

The following information provides an outline only of the EIS. It is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

The Company has applied for provisional approval from HMRC that the New Ordinary Shares to be issued under the proposed Placing will be eligible and that its proposed activities would be regarded as a qualifying activity for these purposes. HMRC has confirmed that relief should be available after the issue of relevant certificates and upon a claim being made by a qualifying individual. This assurance has been provided without the sight of any drafts of this document.

Neither the Company nor its advisers give any warranties or undertakings that EIS relief will be available or that, if given, such relief will not be withdrawn.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way which preserves the relief. In such circumstances the Company cannot undertake to conduct its activities in such a way as to preserve any such relief.

The tax legislation in respect of the EIS income tax and EIS deferral relief is found in sections 289 - 312 of the Income and Corporation Taxes Act 1988 and schedule 5B of the Taxation of Capital Gains Act 1992. The following is a summary of the more common conditions and should not be construed as comprehensive.

EIS Relief

Income tax relief, CGT deferral relief, CGT exemption relief and loss relief may all be available to investors under the EIS legislation. EIS-relief can be claimed only by a “qualifying investor” (see below) who subscribes for new “eligible shares” (see below) issued by a “qualifying company” (see below).

Income tax relief

Individuals who qualify may deduct an amount that is equal to tax at the lower rate of income tax on the amounts subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year in which the shares are issued. EIS-relief is obtained at a rate of up to 20 per cent. The maximum investment is £400,000 per tax year. Spouses and Civil Partners are entitled to a maximum of £400,000 each. The minimum amount subscribed must be at least £500.

For the income tax purposes (but not CGT deferral, see below), the individual does not need to be a UK resident. However, income tax relief is only available where an investor has a UK income tax liability. The amount of income tax relief cannot exceed an individual's tax liability before other reliefs given by way of discharge of tax. Relief is normally given in the tax year in which the individual invests.

CGT exemption

To the extent that EIS income tax relief is given and not withdrawn, any capital gain accruing to an individual on the first disposal of the shares issued three or more years after the date of issue (or, if later, three or more years after the anniversary of the date trading commences) is not chargeable to CGT. The exception does not extend to any gain deferred by CGT deferral (see below).

Loss relief

Where an investor incurs a loss on the first disposal of their shares, the loss is calculated after deducting EIS income tax relief from the base cost. This loss may be set against either chargeable gains or taxable income at the election of the investor.

“Qualifying Investor” for EIS Income Tax Relief purposes

An individual must not be, nor have been within the previous two years prior to the date of issue of the shares, connected with the Company, or become connected with it within the next three years (or, if later, within the three years following the date of commencement of trading), if he or she is to retain the tax reliefs. The main rules relating to “connection” are that:

- neither the individual nor his associates may be an employee, partner or paid director of the Company (subject to the exception below) or of its subsidiaries. An unpaid Director is not disqualified if he is reimbursed travelling or subsistence expenses which would otherwise be allowable for taxation;
- neither the individual nor his associates may control the Company or possess more than 30 per cent of the issued ordinary shares or loan capital or voting powers in the Company or rights carrying entitlements to 30 per cent. of the assets available for distribution to equity holders; and
- an individual may become a paid Director provided at the time he subscribes for eligible shares he was not, and had not previously been, otherwise connected with the Company nor with the trade carried on by the Company by reference to the above. Any remuneration paid to a Director must be reasonable.

There is also anti-avoidance legislation, in particular the value received rules. Under these, EIS income tax relief may be reduced or withdrawn where the investor receives any value from the Company.

Relief to the investor may also be withdrawn where other shareholders of the Company are repaid capital or receive value from the Company.

Qualifying Company

For a period of three years following the issue of the shares (or, if later, three years following the date of commencement of the trade), the Company must only:

- carry on a qualifying trade; and/or
- be the parent company of a group which exists wholly, or substantially wholly for the purposes of carrying on qualifying trades; and
- not be disqualified by anti-avoidance rules.

At least 80 per cent of the money raised by the issue of qualifying shares must be employed wholly for the purpose of a qualifying business activity within 12 months of the date of the issue of the shares or, if later, the commencement of trade and the balance within 24 months of the date of issue (or commencement of trade, if later).

The shares of the company must not be quoted on a recognised Stock Exchange at the time the eligible shares are issued and no arrangements must exist at that time for the Company to become quoted.

Eligible shares

Eligible EIS shares are New Ordinary Shares which, throughout the period of three years beginning with the date on which they are issued or, if later, the date of commencement of the trade, carry no present or future preferential right to dividends or to the Company's assets on its winding up and carry no present or future right to be redeemed.

Provisional approval

The Company has received from HMRC provisional approval that the Company will be carrying on a qualifying trade and that the New Ordinary Shares to be issued will be "eligible shares". Provisional approval, once given, is indicative but it is not binding on HMRC. The position could also be affected by acts or omissions of the Company during the three year period from the date of issue of the New Ordinary Shares (or, if later, the date of commencement of the trade).

Claims

Investors claim income tax relief by submitting a tax relief certificate (form EIS 3) issued to them by the Company to the Inspector of Taxes dealing with their own tax affairs. The claims for relief must be made no later than five years after the 31 January following the end of the tax year in which the shares are issued.

Carry back of Relief

For shares subscribed on or after 6 April and before 6 October, up to one half of the investment (up to £50,000) may be effectively carried back to the previous tax year if the relevant claim is made.

Withdrawal of EIS Relief

If the conditions for EIS-relief relating to a company cease to be satisfied during the period of three years from the date of issue of the shares (or, if later, three years from the date of commencement of trade), the relief will be withdrawn. EIS-relief will also be wholly or partly withdrawn if, for example, the claimant receives significant value from the company (other than dividends) or disposes of the shares within three years of the date of issue (or, if later, within three years of the date of commencement of the trade). EIS-relief will also be lost if an investor takes out a loan under special terms connected in any way with the shares.

CGT deferral

CGT deferral enables investors to defer capital gains by reinvesting in qualifying investments. Provided a capital gain realised on any asset is reinvested in new "eligible shares" of a "qualifying company" within three years of the disposal giving rise to the gain or not more than one year prior to a disposal giving rise to a gain, assessment to tax on the gain arising may be deferred until the qualifying investment is sold or (if within three years from subscription, or commencement of trade, if later) otherwise ceases to qualify. At this point, the deferred gain would come back into charge, without the benefit of any additional taper relief.

The legislation, conditions and anti-avoidance rules for deferral relief are broadly similar to those for EIS income tax relief outlined above, but there are some differences.

CVS

The CVS provides a range of tax reliefs for companies that subscribe for shares in other companies, known as qualifying issuing companies. The latter are companies which are unquoted or AIM quoted at the time the shares are issued and which carry on or are preparing to carry on certain types of trading activities, and satisfy certain requirements.

The Company has received provisional approval from HMRC that, subject to corporate investors satisfying certain requirements, investments in the Company should qualify for CVS relief. This assurance has been provided without the sight of any drafts of this document.

Neither the Company nor, its advisers give any warranties or undertakings that CVS relief will be available or that, if given, such relief will not be withdrawn.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way which preserves the relief. In such circumstances the Company cannot undertake to conduct its activities in such a way as to preserve any such relief.

8. General

- 8.1 The gross proceeds of the Placing are £2,200,000. The costs and expenses of, and incidental to, the Placing and Admission are payable by the Company to the amount of approximately £461,000 (excluding VAT) and include, *inter alia*, corporate finance fees, legal fees, accounting fees and commissions.
- 8.2 Ernst & Young LLP, has given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their reports in this document.
- 8.3 Teather & Greenwood Ltd has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 8.4 The Existing Ordinary Shares are currently admitted to trading on AIM.
- 8.5 The arrangements for paying for the Placing Shares to be issued pursuant to the Placing are set out in the placing letters referred to in the Placing Agreement.
- 8.6 None of the Ongoing Directors are aware of any exceptional factors which have influenced the Company's activities.
- 8.7 None of the Ongoing Directors are aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 8.8 Save as disclosed above no person directly or indirectly (other than the Company's professional advisors and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into any contractual arrangements to receive the same from the Company at the date of Admission.
- 8.9 None of the Ongoing Directors are aware of any environmental issues that may affect the utilisation by the Company or Genesis or CNS of any of their tangible fixed assets respectively.
- 8.10 The Existing Ordinary Shares are in registered form. The Registrars of the Company are Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN.
- 8.11 Mazars LLP were auditors of the Company until 19 September 2006 at which time they resigned and were replaced by Ernst & Young LLP. Ernst & Young LLP are members of The Institute of Chartered Accountants in England and Wales.
- 8.12 The Company is not aware of the existence of any takeover bid pursuant to the rules of the City Code, or any circumstances which might give rise to any takeover bid by third parties for the Ordinary Shares.
- 8.13 No significant new products and/or services that have been introduced by the Company in the last year.
- 8.14 Significant new products and/or services that have been introduced by Genesis-CNS in the last year are set out in the paragraphs headed Macroarrays and Microarrays on page 28 of this document.
- 8.15 The principal markets in which the Company competes, together with a breakdown of total revenues by category of activity and geographic market for the last three financial years are set out on page 46 of Part IV of this document.
- 8.16 The principal markets in which Genesis and CNS compete, together with a breakdown of total revenues by category of activity and geographic market for the last three financial years are set out on pages 66 and 81 of Part V respectively of this document.

9. Availability of this document

Copies of this document are available free of charge from the Company's registered office and at the offices of Teather & Greenwood, Beaufort House, 15 St Botolph Street, London EC3A 7QR, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

Dated: 3 August 2007

OMEGA DIAGNOSTICS GROUP PLC

["the Company"]

(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 5017761)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of the above named Company will be held at 11.30 am on 30 August 2007 at the offices of Brodies LLP, at 15 Atholl Crescent, Edinburgh EH3 8HA, for the purpose of considering and, it thought fit, passing the following resolutions of which resolutions 1, 3 and 5 will be proposed as ordinary resolutions and resolutions 2 and 4 will be proposed as special resolutions:

1. THAT the acquisition by the Company of the entire issued share capital of both Genesis Diagnostics Limited and Cambridge Nutritional Sciences Limited ("the Acquisition") pursuant to and on the terms of an agreement dated 3 August 2007, entered into amongst the Company and Michael Strachan Walker and others ("the Vendors") ("the Acquisition Agreement") and described in the Circular of which this Notice forms part, be and is hereby approved.

2. THAT, conditional on the passing of resolution 1 above:

2.1 The articles of association of the Company be amended as follows:

2.1.1 by the insertion of new definitions as follows:

"Deferred Share"

a deferred share of 0.9p in the capital of the Company having the rights, and being subject to the restrictions contained in Article 2A;"

"Ordinary Share"

an ordinary share of 0.1p in the capital of the Company,

and the insertion of a new article as follows:

2A The rights attached to and imposed on the Shares are as follows:

Deferred Shares

- (i) the holders of the Deferred Shares shall have a first entitlement to dividend of 0.000001 pence per share but thereafter no entitlement to any participation in the profits or assets of the Company;
- (ii) the holders of Deferred Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Company; and
- (iii) no other rights whatsoever.

Ordinary Shares

The rights attached to and imposed on the Ordinary Shares are all rights to dividend, voting, return on capital and otherwise with the exception of the rights attaching to the Deferred Shares.

2.1.2 By the insertion of a new article 81

81.1 Directors' Appointment and Retirement

Subject to the provisions of these Articles, at the Annual General Meeting in every year one-third of the Directors for the time being who are subject to retirement by rotation or, if their number is not three or an integral multiple of three, the number nearest to but not exceeding one-third shall retire from office, provided that:

- (a) if in any year the number of Directors who are subject to retirement by rotation shall be two, one of such Directors shall retire; and
- (b) if in any year there shall be only one Director who is subject to retirement by rotation, that Director shall retire.

A Director retiring at a meeting as aforesaid shall, if he is not re-appointed, remain in office until the meeting appoints someone in his place or, if it does not do so, until the end of that meeting.

Subject to the provisions of the Act and of these Articles, the Directors to retire by rotation in every year shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors who have been longest in office since their last appointment or re-appointment but as between persons who became or were last appointed or re-appointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject as aforesaid, a retiring Director shall be eligible for re-appointment.

The Directors shall have power at any time and from time to time to appoint any person who is willing to act to be a Director either to fill a vacancy or as an additional Director but so that the total number of Directors shall not at any time exceed any maximum number determined by or in accordance with these Articles. Subject to the provisions of the Act and of these Articles, any Director so appointed shall hold office only until the conclusion of the next following Annual General Meeting and shall be eligible for re-election at that meeting. Any Director who retires under this Article shall not be taken into account in determining the Directors who are to retire by rotation at such meeting and, if not re-appointed at such Annual General Meeting, he shall vacate office at the conclusion thereof.

The Company may at any time and from time to time by Ordinary Resolution appoint any person who is willing to act to be a Director either to fill a vacancy or as an additional Director and, without prejudice to the provisions of the Act, may by Ordinary Resolution remove a Director (including a Director holding executive office) before the expiration of his period of office but so that such removal shall be without prejudice to any claim such Director may have for breach of any contract of service between him and the Company.

and the deletion of the existing article 81

2.1.3 By the insertion of a new article 89 as follows:

Disclosure of Interests

89 Section 793 of the Companies Act 2006 ("Section 793") shall be deemed to be incorporated into these Articles and accordingly to apply as between the Company and each member. If a notice is given under Section 793 ("a Section 793 notice") to a person appearing to be interested in any shares, a copy shall at the same time be given to the holder of those shares but the accidental omission to do so or the non-receipt by the member shall not prejudice the operation of the provisions of this Article 89. The provisions of this Article 89 shall be without prejudice to the provisions of Section 798 of the Companies Act 2006 and in particular the Company shall be entitled to apply to the court under Section 794(1) whether or not these provisions apply or have been applied.

89.1 If a member or any person appearing to be interested in any shares held by a member has been duly served with a Section 793 notice and is in default for the relevant period (as defined in Article 89.7) from such service in supplying to the Company the information thereby required, the provisions of Articles 89.2 and 89.3 shall apply. The restrictions imposed by those paragraphs in relation to any shares

shall continue until a relevant event occurs in relation to those shares and shall lapse when it does so. For this purpose, a “relevant event” is either of the following:

- (a) the default being remedied; or
- (b) the shares being registered in the name of a purchaser or offer or (or that of his nominee) pursuant to an arm’s-length transfer (as defined in Article 89.5).

Any dividends withheld pursuant to Article 89.3 shall be paid to the member as soon as practicable after the restrictions contained in that Article lapse.

89.2 If the member has a holding of less than 0.25 per cent. of any class of shares, then, subject to Article 89.4 and unless the Directors otherwise determine, the member shall not be entitled in respect of the shares held by him (whether or not referred to in the Section 793 notice) to attend or vote at a General Meeting either personally or by proxy.

89.3 If the member has a holding of at least 0.25 per cent. of any class of shares, then, subject to Article 89.4 and unless the Directors otherwise determine, the member shall not be entitled in respect of the shares held by him (whether or not referred to in the Section 793 notice):

- (a) to attend or vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company; or
- (b) to receive any dividend or other distribution in respect of such shares; or
- (c) to transfer or agree to transfer any of such shares or any rights therein.

89.4 The restrictions in Articles 89.2 and 89.3 shall be without prejudice to the right of either the member holding the shares concerned or, if different, the beneficial owner of those shares to effect or agree to sell those shares to a bona fide unconnected third party by way of an arms-length transfer.

89.5 For the purposes of this Article 89, an “arm’s-length transfer” in relation to any shares is a transfer pursuant to:

- (a) a sale of those shares on a recognised investment exchange (as defined in the Financial Services and Markets Act 2000), on the AIM market of the London Stock Exchange plc, or on any stock exchange outside the United Kingdom on which the shares are normally traded; or
- (b) an offer made to all the holders (or all the holders other than the person making the offer and his nominees) of the shares in the Company to acquire those shares or a specified proportion of them or to all the holders (or all the holders other than the person making the offer and his nominees) of a particular class of those shares to acquire the shares of that class or a specified proportion of them.

89.6 For the purposes of this Article 89, the Company shall be entitled to treat any person as appearing to be interested in any shares if:

- (a) the member holding such shares or any person who is or may be interested in such shares either fails to respond to a Section 793 notice (or has given to the Company a notification pursuant to a Section 793 notice which in the opinion of the Directors fails to establish the identities of those interested in the shares) and if (after taking into account such notification and any other relevant notification pursuant to a Section 793 notice) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares; or

- (b) that person (not being the member) is interested in those shares for the purposes of Section 793.

89.7 For the purposes of this Article 89, the “relevant period” shall be, in a case falling within Article 89.2, 28 days and, in a case falling within Article 89.3, 14 days.

and by renumbering the remaining articles appropriately.

- 2.2 Each issued and unissued ordinary share of 1p in the capital of the Company be and is hereby sub-divided with effect from the passing of this resolution 2 into one ordinary share of 0.1p and one deferred share of 0.9p, such shares conferring upon the holders thereof the rights, and being subject to the restrictions, contained in the articles of association of the Company as amended pursuant to paragraph 2.1.1 above
- 3. THAT conditional on the passing of resolutions 1 and 2 above, the ordinary shares of 0.1p created by resolution 2 above, be consolidated on the basis of 1 new ordinary share of 4p for every 40 ordinary shares of 0.1p held, with all fractional entitlements being aggregated and sold for the benefit of the Company and any remaining fraction of a share following such aggregation being rounded up.
- 4 THAT conditional on the passing of resolutions 1, 2 and 3 above:
 - 4.1 the authorised share capital of the Company be increased from £6,000,000 to £8,500,000 by the creation of 62,500,000 new ordinary shares of 4p each in the capital of the Company, ranking *pari passu* in all respects with the existing new ordinary shares of 4p each in the capital of the Company;
 - 4.2 pursuant to section 80 of the Companies Act 1985 as amended (“the Act”) the directors of the Company (the “Directors”) be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum of the authorised and unissued share capital of the Company as increased by paragraph 4.1 of this resolution, provided that (unless previously revoked, varied or renewed) this authority shall remain in force until completion of the next following annual general meeting of the Company save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the Directors to the extent not previously utilised;
 - 4.3 the Directors be and are generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by paragraph 4.2 of this Resolution as if section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:
 - 4.3.1 the allotment of 7,333,333 New Ordinary Shares of 4p each in connection with the Placing Agreement, as such term is defined in the Circular of which this notice forms part;
 - 4.3.2 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
 - 4.3.3 the allotment of New Ordinary Shares of 4p each otherwise than pursuant to sub-paragraphs 4.3.1 and 4.3.2 above;

and provided that (unless previously revoked, varied or renewed) this power shall remain in force until completion of the next following annual general meeting of the Company save that the Company may

before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired and provided further that this power shall be in substitution for and supersede and revoke any previous power granted to the Directors to the extent not previously utilised.

5. THAT conditional on the passing of resolutions 1 to 4 inclusive above, the Company's EMI Share Option Scheme, constituted by the rules produced to this meeting and signed by the Chairman for the purposes of identification (the principal terms of which are summarised in Part VII of the Admission Document of which the Notice of EGM forms part), be and are hereby approved and the Directors or a duly authorised committee thereof be and they are hereby authorised to adopt such rules, subject to such non material modifications as they or such committee may consider necessary or desirable and to do all acts and things necessary or expedient to bring into effect and operate the Company's EMI Share Option Scheme.

Registered office:

One London Wall
London EC2Y 5AB
3 August 2007

By order of the Board

Kieron Harbinson
Secretary

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, in his place. A proxy need not be a member of the Company.
2. In the case of joint holders, the vote of the senior member who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any joint holders. For these purposes, seniority shall be determined by the order of the names appearing in the register of members in respect of the joint holding.
3. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
4. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notariably certified copy of such power must be deposited at Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 78R, in accordance with the instructions printed thereon so as to be received no later than 48 hours before the time of the meeting or adjournment thereof. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person.
5. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at 11.30 am on 28 August 2007 (or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting) shall be entitled to attend the meeting and to vote in respect of the number of Ordinary Shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.