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The Directors of Omega Diagnostics Group plc (the "**Company**"), whose names appear on page 4 of this document, accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies, for the information contained in this document. To the best of the knowledge and belief of the Directors (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.

This document, which comprises an admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the proposed admission to trading of the Existing Ordinary Shares and the Placing Shares on AIM. This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the Financial Services Authority in accordance with the Prospectus Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

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 UK Listing Authority. 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.

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the registered office of the Company and at the offices of Cenkos Securities plc ("**Cenkos**") at 6.7.8 Tokenhouse Yard, London EC2R 7AS, from the date of this document for a period of one month from the date of Admission.

Application will be made for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that the First Admission will take place and that dealings in the First Admission Shares will commence on 20 December 2010. It is expected that the Second Admission will take place and that dealings in the Second Admission Shares will commence on 21 December 2010.

OMEGA DIAGNOSTICS GROUP PLC

(Incorporated in England & Wales under the Companies Act 1985 with registered no. 5017761)

PROPOSED ACQUISITION OF ALLERGOPHARMA IVD BUSINESS

PLACING OF 64,583,350 NEW ORDINARY SHARES OF 4p PER SHARE

NOTICE OF GENERAL MEETING AND RE-ADMISSION TO TRADING ON AIM

by

Cenkos Securities plc

Nominated Adviser and Broker

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING SECOND ADMISSION

Issued and fully paid Ordinary Shares of 4 pence each

<i>Amount</i>	<i>Number</i>
£3,408,650.28	85,216,257

The Placing is conditional, *inter alia*, on the First Admission taking place on or before 20 December 2010 (or such later date as the Company and Cenkos may agree) and, in respect of the Second Admission Shares, the Second Admission taking place on or before 21 December 2010 (or such later date as the Company and Cenkos may agree). The Placing Shares will, on Admission, rank in full for all dividends or other distributions thereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Notice convening a General Meeting of the Company to be held at Omega House, Alva, Clackmannanshire, FK12 5DQ at 9:00 a.m. on 17 December 2010 and a Form of Proxy for use at the meeting is enclosed with this document and should be completed, signed and returned in accordance with the instructions thereon, as soon as possible but, in any event, so as to be received by the Company's registrars, Share Registrars Limited, Suite E First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 9LL by no later than 9:00 a.m. on 15 December 2010 (or 48 hours before any adjournment of the General Meeting).

Cenkos Securities plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority and which is advising the Company and no one else in connection with the Placing and Admission (whether or not a recipient of this document), is acting exclusively for the Company as nominated adviser for the purpose of the AIM Rules for Companies. Cenkos will not be responsible to any person other than the Company for providing the protections afforded to its customers, nor for providing advice in relation to the Placing and Admission or the contents of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Cenkos as to the contents of this document. No liability whatsoever is accepted by Cenkos for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

IMPORTANT INFORMATION

This document does not constitute an offer to sell, or a solicitation of an offer to buy Existing Ordinary Shares or Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States, Canada, Australia, the Republic of South Africa or Japan. The Existing Ordinary Shares and Placing Shares have not been and will not be registered under the United States Securities Act of 1933 (the “**US Securities Act**”), any state securities laws in the United States or any securities laws of Canada, Australia, the Republic of South Africa or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in the United States, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, any “US person” (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, or to any person in, or any national, citizen or resident of Canada, Australia, the Republic of South Africa or Japan. The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions.

Forward-looking Statements

This document contains forward looking statements relating to the Company’s future prospects, developments and strategies, which have been made after due and careful enquiry and are based on the Directors’ current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are subject to, *inter alia*, the risk factors described in Part 2 of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

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DIRECTORS, SECRETARY AND PRINCIPAL ADVISERS

Directors	David Evans (<i>Non-Executive Chairman</i>) Andrew Shepherd (<i>Chief Executive Officer</i>) Kieron Harbinson (<i>Finance Director and Company Secretary</i>) Geoff Gower (<i>Director</i>) Michael Gurner (<i>Non-Executive Director</i>)
Website	omegadiagnostics.com
Registered Office	One London Wall London EC2Y 5AB
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Legal Advisers to the Company as to English law	Brodies LLP 15 Atholl Crescent Edinburgh Scotland EH3 8HA
Legal Advisers to the Company as to German law	SKW Schwarz 80333 Munich Wittelsbacherplatz 1 Germany
Legal Advisers to the Nominated Adviser and Broker	Finers Stephens Innocent LLP 179 Great Portland Street London W1W 5LS
Auditors	Ernst & Young LLP Ten George Street Edinburgh, EH2 2DZ
Financial PR	Walbrook PR Limited 4 Lombard Street London EC3V 9HD
Registrars	Share Registrars Limited Suite E First Floor 9 Lion and Lamb Yard Farnham, Surrey GU9 7LL

PLACING STATISTICS

Placing Price	12 pence
Number of Existing Ordinary Shares	20,632,907
Total number of Placing Shares	64,583,350
Percentage of Enlarged Share Capital being placed	75.79 per cent.
Estimated gross proceeds of the Placing receivable by the Company	£7.75 million
Number of Ordinary Shares in issue immediately following First Admission	25,632,857
Expected market capitalisation of the Company upon First Admission based on the Placing Price	£3.1 million
Number of Ordinary Shares in issue immediately following Second Admission	85,216,257
Expected market capitalisation of the Company upon Second Admission based on the Placing Price	£10.2 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of Admission Document	17 November 2010
Despatch of Admission Document	17 November 2010
Latest time and date for receipt of Forms of Proxy for the General Meeting	9:00 a.m. on 15 December 2010
General Meeting	9:00 a.m. on 17 December 2010
First Admission and commencement of dealings in the First Admission Shares on AIM	8:00 a.m. on 20 December 2010
CREST Accounts credited for Placing Shares in uncertificated form in respect of the First Admission Shares	as soon as possible after 8:00 a.m. on 20 December 2010
Second Admission and commencement of dealings in the Second Admission Shares on AIM	8:00 a.m. on 21 December 2010
CREST Accounts credited for Placing Shares in uncertificated form in respect of the Second Admission Shares	as soon as possible after 8:00 a.m. on 21 December 2010
Despatch of definitive share certificates (where appropriate)	by 7 January 2011

Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.

FOREIGN CURRENCY AMOUNTS

Where relevant in this document, unless otherwise stated, Euro amounts have been converted into Sterling at €1.20 to £1.00. The closing mid-point spot exchange rate set out in the Financial Times on 16 November 2010 the latest practicable date prior to publication of this document was €1.18 to £1.00.

DEFINITIONS

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

“Act”	the Companies Act 2006 (as amended from time to time);
“1985 Act”	the Companies Act 1985;
“2006 Acquisition”	the acquisition by the Company of the entire issued share capital of Omega Diagnostics Limited pursuant to an agreement dated 23 August 2006;
“2007 Acquisition”	the acquisition by the Company of the entire issued share capital of Genesis and CNS pursuant to an agreement dated 3 August 2007 (the “2007 Acquisition Agreement”) which is described in paragraph 2.12.6 of Part 6 of this document;
“2009 Acquisition”	the acquisition by the Company of the entire issued share capital of Co-Tek pursuant to an agreement dated 28 September 2009 (the “2009 Acquisition Agreement”) which is described in paragraph 2.12.5 of Part 6 of this document;
“Acquisition”	the acquisition by the Company through a newly-incorporated German subsidiary of the IVD Business;
“Acquisition Agreement”	the conditional acquisition agreement dated 16 November 2010 between the Company, Omega Diagnostics GmbH and Allergopharma pursuant to which Omega Diagnostics GmbH has agreed to acquire the business and assets of IVD Business, further details of which are set out in paragraph 2.12.4 of Part 6 of this document;
“Admission”	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies which, unless the context otherwise requires, includes the First Admission and the Second Admission;
“Admission Document”	this document;
“AIM”	AIM, the market of that name operated by the London Stock Exchange;
“AIM Rules for Companies”	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Companies” publication;
“AIM Rules for Nominated Advisers”	the London Stock Exchange’s rules contained in its “AIM Rules for Nominated Advisers” publication;
“Allergopharma”	Allergopharma Joachim Ganzer KG; a German Limited Partnership having its registered seat in Reinbek Germany and being registered with the commercial register of the local court of Lubeck under no HRA 1076;
“Articles”	the articles of association of the Company adopted on 19 August 2010;
“Cenkos”	Cenkos Securities plc of 6.7.8 Tokenhouse Yard, London EC2R 7AS, the Company’s nominated advisor and broker;
“certificated” or in “certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST);

“Completion”	completion of the Acquisition;
“Co-Tek”	Co-Tek (South-West) Limited, a company incorporated in England and Wales with registered number 04518183;
“CNS”	Cambridge Nutritional Sciences Limited, a company incorporated in England and Wales with registered number 04201429;
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear;
“CREST Manual”	the compendium of documents entitled “CREST Manual” issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules (including CREST Rule 8), the CCSS Operations Manual and the CREST Glossary of Terms;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time);
“Deferred Shares”	the deferred shares of 0.9p each in the capital of the Company;
“Directors” or “Board”	the directors of the Company, whose names appear on page 4 of this document;
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FSA in exercise of its functions as competent authority pursuant to Part VI of FSMA;
“EMI”	enterprise management incentive;
“Enlarged Group”	the Company and its subsidiaries from time to time including, from Second Admission, the IVD Business;
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following Second Admission comprising the Existing Ordinary Shares and the Placing Shares;
“EU”	European Union;
“Euroclear”	Euroclear UK & Ireland Limited;
“Existing Ordinary Shares”	the 20,632,907 Ordinary Shares in issue at the date of this document;
“First Admission”	the admission of the First Admission Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“First Admission Shares”	the Existing Ordinary Shares and 4,999,950 Placing Shares;
“Form of Proxy”	the form of proxy for use by Shareholders at the GM;
“FSA”	the UK Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000 (as amended from time to time), including any regulations made pursuant thereto;
“Genesis”	Genesis Diagnostics Limited, a company incorporated in England and Wales with registered number 02924988;

“General Meeting” or “GM”	the General Meeting of the Company to be held at Omega House, Alva, Clackmannanshire, FK12 5DQ at 9:00 a.m. on 17 December 2010;
“Group”	the Company and its subsidiary undertakings;
“IDS”	Immunodiagnostic Systems Holdings plc;
“IVD”	In-Vitro Diagnostics;
“IVD Business”	the IVD business of Allergopharma;
“London Stock Exchange”	London Stock Exchange plc;
“Official List”	the official list of the UK Listing Authority;
“Omega Diagnostics” or the “Company”	Omega Diagnostics Group plc, a company incorporated in England & Wales under the Companies Act 1985 with registered number 5017761;
“Ordinary Shares”	ordinary shares of 4 pence each in the capital of the Company;
“Panel”	the UK Panel on Takeovers and Mergers;
“Placee”	an investor to whom Placing Shares are issued pursuant to the Placing;
“Placing”	the placing by Cenkos of the Placing Shares with institutional and other investors at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the placing agreement dated 16 November 2010 between the Company, Cenkos and the Directors, further details of which are set out in paragraph 2.12.1 of Part 6 of this document;
“Placing Price”	12 pence per Ordinary Share;
“Placing Shares”	64,583,350 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing at the Placing Price of which 4,999,950 are expected to be issued at First Admission and 59,583,400 are expected to be issued at Second Admission;
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and Council;
“Prospectus Rules”	the rules published by the FSA governing the publication of a prospectus, as derived from the Prospectus Directive;
“Resolutions”	the resolutions to be proposed at the General Meeting so far as they relate to the Acquisition and Placing;
“Second Admission”	the admission of the Second Admission Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“Second Admission Shares”	59,583,400 Placing Shares;
“Share Dealing Code”	means the share dealing code of the Company, regulating the dealing in Ordinary Shares by directors and relevant employees;
“Shareholders”	holders of Ordinary Shares;
“subsidiary” or “subsidiary undertaking”	have the meanings respectively ascribed to them by the Act;

“Takeover Code”	the City Code on Takeovers and Mergers (as amended from time to time);
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA;
“uncertificated”	recorded on a register of securities maintained by Euroclear in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“£” or “Sterling”	pounds sterling, the legal currency of the United Kingdom; and
“€” or “Euro”	euros, the lawful currency of the members of the European Union who have entered into an Economic and Monetary Union.

All references to times in this document are to UK time unless otherwise stated. References to the singular shall include references to the plural, where applicable and vice versa.

A glossary of technical terms used in this document is set out in Part 7 of this document.

PART 1

LETTER FROM CHAIRMAN OF OMEGA DIAGNOSTICS GROUP PLC

(Incorporated in England & Wales under the Companies Act 1985 with registered no. 5017761)

Directors:

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

Registered Office:

*One London Wall
London
EC2Y 5AB*

To Shareholders and, for information only, to the holders of options over Ordinary Shares

17 November 2010

Dear Shareholder,

**Acquisition of the In-Vitro Diagnostics Business (“IVD Business”) of Allergopharma
Proposed Placing of 64,583,350 new Ordinary Shares
Notice of General Meeting
Admission of Enlarged Share Capital to trading on AIM**

1. Introduction

Your Board is pleased to inform you that the Company has today announced that it has agreed, subject *inter alia*, to the approval of Shareholders at the General Meeting to acquire the business and certain assets of the IVD Business of Allergopharma (the “IVD Business”). The Directors believe that the IVD Business will complement the Group’s core food intolerance testing business by allowing it to enter a highly attractive adjacent market, and they consider that it will be a transformational deal for Omega Diagnostics and which will significantly enhance the Group’s growth prospects. The total consideration for the Acquisition is €6.0m, to be satisfied by a cash payment on Completion.

In order to satisfy the consideration for the Acquisition and to enable the Company to implement its development strategy, the Board is proposing a placing to raise £7.75 million (approximately £6.75 million after expenses) by way of the Placing of 64,583,350 Ordinary Shares at 12 pence per Placing Share.

The Acquisition constitutes a reverse takeover under the AIM Rules by virtue of the size of the transaction and is therefore subject to the approval of Shareholders, which is being sought at the General Meeting to be held on 17 December 2010.

If the Resolutions are duly passed at the General Meeting, and the other conditions set out in the Placing Agreement are satisfied, the Enlarged Share Capital is expected to be admitted to trading on AIM. Trading in the Existing Ordinary Shares will be cancelled and the Company will apply for admission of the Enlarged Share Capital to trading on AIM. It is expected that First Admission will occur on 20 December 2010 and dealings on AIM are expected to commence in respect of the First Admission Shares on 20 December 2010. It is expected that Second Admission will occur on 21 December 2010 and dealings on AIM in respect of the Second Admission Shares are expected to commence on 21 December 2010.

The purpose of this document is to provide you with background to and information regarding the Acquisition, the Enlarged Group and the Placing and to seek your approval of the Acquisition amongst other things, at the General Meeting. Notice of the General Meeting is set out on page 83 of this document.

2. Background to and Reasons for the Acquisition

The IVD Business is the in-vitro diagnostics division of Allergopharma Joachim Ganzer KG, a partnership of Merck KGaA and Mr Joachim Ganzer, a German entrepreneur. The IVD Business specialises in the research, development and production of in-vitro allergy tests used by doctors to diagnose patients with allergies. Allergopharma also supplies the products used to treat the allergies although these products do not form part of the Acquisition. The IVD Business supplies test kits that can test for reactions against more than 600 allergens. Over 96 per cent. of the IVD Business’ sales are in the German market.

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

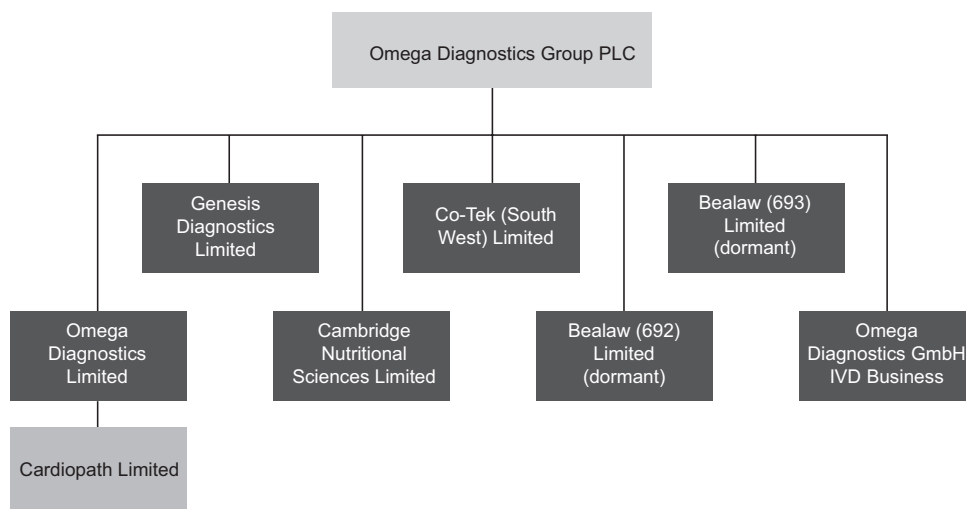
Omega Diagnostics is proposing to acquire the business and certain assets of the IVD Business for a cash consideration of €6.0m (approximately £5m) which will be funded through the Placing raising gross funds of £7.75m, of which £1.7m will be used to fund working capital for the Enlarged Group and implement the strategy as set out below. The acquisition of the IVD Business is intended to increase value for Shareholders through a two stage three part strategy:

- Current IVD Business allergy products will be sold throughout the Omega Diagnostics distribution network. At present the test kits are mainly sold in Germany with very limited export sales. Omega Diagnostics has a large international distribution network providing access to potential customers and the Directors believe that the IVD Business product range can be easily integrated into this network;
- The Directors have identified an instrumentation strategy pursuant to which Omega Diagnostics intends to enter into an agreement with Immunodiagnostic Systems Holdings PLC (IDS) to gain exclusive global use, for performing allergy diagnostics, of their US FDA-approved IDS-iSYS platform, an automated 'closed system' analyzer. The current IVD Business product range is used on 'open systems' which are used in lower test volume laboratories, with lower revenue generation; and
- Omega Diagnostics also intends to apply its Genarrayt™ microarray test platform, which is currently utilised for food intolerance testing, to IgE Allergy screening. Automation of slide handling will allow more rapid processing of higher test volumes.

The IDS-iSYS and Genarrayt™ microarray strategy will require additional investment of which approximately £1.7m which will be funded from the proceeds of the Placing. It is expected that Omega Diagnostics will begin to experience the financial benefits of the Acquisition in the second half of the 2012 financial year following the first launch of products. Greater benefits are expected in the following year including a significant increase in profitability from the IDS-iSYS and the Genarrayt™ microarray platform. IDS is a company of which David Evans, Chairman of Omega Diagnostics, is a non executive director and shareholder.

The Directors believe that the acquisition of the IVD Business, combined with the follow-on instrumentation strategy, will substantially increase the scale of Omega Diagnostics and allow it to develop allergy-based offerings through its international network as well as adding incremental profit from the instrumentation strategy, which should in turn create further value for Shareholders.

The Acquisition will be made via a newly-incorporated German subsidiary of the Group, Omega Diagnostics GmbH. The corporate structure of the Group following Acquisition is set out below.



3. Information on Omega Diagnostics

Overview

Omega Diagnostics was initially incorporated as an investing company, Quintessentially English plc, and admitted to AIM in March 2004. It was re-admitted in September 2006 immediately after the reverse acquisition of Omega Diagnostics Limited. In line with its stated strategy, Omega Diagnostics then completed the acquisitions of Genesis and CNS on 3 September 2007 for an initial consideration of £5.7 million and subsequent earn out payments of approximately £207,000. This transaction also constituted a reverse acquisition and the Group was again re-admitted to AIM. In September 2009, Omega Diagnostics acquired Co-Tek for £0.4 million.

Omega Diagnostics currently operates in the fields of Food Intolerance, Autoimmune Disease and Infectious Disease, providing immunoassay testing to the IVD market and food intolerance testing. The acquisition of the IVD Business will be the Group's entry into the mainstream allergy market.

Omega Diagnostics has a current headcount of approximately 65 employees and generated revenues of £6.2 million and adjusted profit before tax of £0.6 million for the financial year ending 31 March 2010. The Company operates at three leasehold sites in the UK, in Scotland, Cambridgeshire and Devon. The Company currently sells a wide range of products, primarily in the immunoassay IVD market through a distribution network covering over 100 countries.

IVD/Immunoassay market

In 2007, the size of the global IVD market was in excess of US\$38 billion and in 2007, the immunoassay sector of the IVD market was estimated to be worth US\$10 billion. The market is forecast to grow at 6.72 per cent. per annum from 2007 to 2012. Immunoassays, a testing technique used within the IVD market place, have become a widely accepted technique in the field of clinical diagnosis of diseases and the increasing prevalence of several chronic and infectious diseases, emerging technologies and increasing patient awareness are expected to drive future growth.

The North American, European and Japanese markets together accounted for 90 per cent. of the global IVD market in 2007. The US market alone was worth US\$17.6 billion and demand for IVD products in the US is forecast to increase by 5.4 per cent. annually through to 2013.

In addition, the Board believes that the IVD markets in emerging economies such as Brazil, Russia, India and China ("BRIC") will see strong growth in the future due to the increasing healthcare budgets in these nations, along with the increasing number of private corporate hospitals, and rising income levels backed by large, untapped population bases. Despite regulatory hurdles and other restraints such as low consumer awareness and the absence of regulations concerning patient safety, the BRIC IVD markets are expected to grow from US\$2.9 billion in 2009 to US\$7.2 billion – US\$7.5 billion in 2014 at a cumulative average growth rate of 19 to 20 per cent. between 2009 and 2014.

The Chinese IVD market is estimated at US\$2 billion and, based on current estimates, China will be the third largest IVD market in the world by 2015. The European IVD market was worth €9.7 billion in 2007, and showed a growth rate of 4 per cent. between 2006 and 2007, with Germany being the single largest market at just over €2 billion in sales.

Merger and acquisition strategies are still a feature of the IVD industry despite the global economic downturn and industry sources believe that large IVD companies will continue to try to grow through acquisition.

At the current sales levels for the existing Omega Diagnostics and Allergopharma IVD product ranges, the Enlarged Group will still have a very small share of the global IVD market. Accordingly, the Directors believe that potential exists, given adequate resources and skilled management, to expand this business significantly in the future.

The Allergy Testing market

In 2009, the Medical Laboratory Observer, estimated that 400 million people worldwide suffer from allergic rhinitis and 300 million suffer from asthma, including 6.3 million children in the United States. The incidence of asthma is also increasing rapidly. The most common form among children is allergic

asthma and if the disease is not treated in time it can even be fatal. Early detection through allergy testing is a key to identification of the cause of respiratory symptoms, and all treatment strategies significantly improve when the identity and degree of allergen sensitivity are known as early as possible.

Allergic respiratory conditions account for more than 10 per cent. of per capita healthcare spending in the United States and the allergy testing market is large and growing as a result. The worldwide market for in-vitro allergy testing products was \$408 million in 2007, with a cumulative annual growth rate of 8 per cent., according to a Boston Biomedical Consultants report. Much of the future growth is expected to occur in the United States, as adoption of in-vitro testing increases.

The European Federation of Allergy estimates that 80 million people in Europe and 50 million in the US have some form of allergic disease and their prevalence is increasing. According to EDMA, the European Diagnostics Manufacturers Association, in December 2009 the total allergy testing market in Germany was worth €35.5m, with the specific IgE allergy testing segment worth €25.5m. One in three people in the UK suffers from an allergy. The numbers are increasing every year, and up to half of those affected are children. One report states that more than half the UK population could be suffering from hay fever by 2060. The direct cost to the UK NHS of managing allergic diseases has recently been estimated at over £1 billion per annum.

Products developed and manufactured by Omega Diagnostics in the IVD market

Omega Diagnostics supplies diagnostic test kits for specific infectious disease, autoimmune disease and food intolerance through its three business units.

Omega Diagnostics/Co-Tek: supplies tests for specific infectious diseases and other clinical conditions. The infectious diseases addressed by Omega Diagnostics' products include Syphilis, Typhoid, Tuberculosis, Dengue Fever, Chagas Disease and Malaria.

Genesis: produces test kits for autoimmune disease (e.g. rheumatoid arthritis, thyroid disease), food intolerance (e.g. Soya) and certain infectious diseases (e.g. *H. pylori*, Rubella).

CNS: provides clinical testing services to the public and nutritionists for food intolerance and other clinical conditions. It also markets a self-test kit for food intolerance called Food Detective™.

The three main sectors of the diagnostics market which the Omega Diagnostics products currently serve are as follows:

Food intolerance related pathologies

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

Autoimmune diseases

Autoimmune diseases are caused by the body's immune system attacking healthy cells, organs, or tissues in the body. The Omega Diagnostics 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.

Infectious diseases

Omega Diagnostics products detect either the infectious disease agents, such as bacteria or viruses (antigens) or antibodies produced in response to the infection. The main infectious disease detected using Omega Diagnostics products is Syphilis but other tests also detect Tuberculosis, Typhoid, Dengue Fever, Chagas Disease, and Malaria.

Sales and Marketing

Omega Diagnostics now sells 86 per cent. of its production (by turnover) through a network of distributors covering over 100 countries, the remaining sales are made to customers in the UK. Distributors purchase products in their own right and then distribute them to the clinical laboratories in their countries. In the UK, Omega Diagnostics sells direct into several specialist/reference laboratories

as well as one product (Food Detective™) to the general public and nutritionists. Omega Diagnostics also sells directly to Ministries of Health in countries which favour international tenders over local supply contracts.

Omega Diagnostics also supplies other IVD companies with products which are then sold under the customers' own labels. This activity accounted for just under 6 per cent. of sales in the financial year ended 31 March 2010.

The Group's geographical market coverage is wide but primary markets are the United Kingdom, Spain, India, Iran and Australia, which together presently account for over 47 per cent. of turnover. Omega Diagnostics has an extensive network of distributors. The largest distributor by sales value in the year ended 31 March 2010 was Thermo Fisher Scientific, India, accounting for approximately 7.7 per cent. of Omega Diagnostics' sales in that financial year.

Omega Diagnostics currently has no sales into the US and Japanese markets. It does not currently hold regulatory approval from either the US Food and Drug Administration (FDA) or the Japanese regulatory authorities for either products or facilities.

4. Information on IVD Business

Overview

Allergopharma is a member of the MERCK KGaA group of companies and has operated for almost 40 years, specialising in the diagnosis and therapy of type-1 allergy. The IVD division was established in 1990. Allergopharma operates in the following activities: in-vitro and in-vivo diagnostics, specific immunotherapy, and allergy prophylaxis.

Allergopharma is located in Reinbek, a suburb of Hamburg, Germany, where the IVD division occupies a site of 1,244 square metres. There are 29 staff employed by the IVD division and the IVD products are sold in Germany and thirteen other markets, including Poland, Russia and Lebanon.

IVD Products

Allergy testing is performed by both in-vivo (skin testing) and in-vitro methods and Allergopharma provide allergens for both methods. For in-vitro allergy diagnosis Allergopharma offers more than 600 allergens, the substances that invoke the allergic response of IgE antibody production in the body. As some allergens are very rare, potentially toxic, caustic or potentially infectious, there is a great demand for in-vitro tests. In addition, children who may not willingly cooperate with skin testing methods can benefit from professional diagnostic measures with a small blood sample.

Allergopharma's IVD division offers a programme of in-vitro diagnostics for the determination of specific IgE and total IgE. The Allergopharma system is based on the classical allergen disc technology. The allergen disc is one of the most versatile solid phases used in conjunction with the EIA technology that is commonly used in clinical laboratories.

Also offered is an allergy test in a simple dipstick form (Allergodip™) which allows for the testing of patients against multiple allergens in a doctor's office setting.

In addition to providing the reagents for the EIA tests, Allergopharma also provides third-party EIA test equipment and associated proprietary software for analysing the test results.

As part of the Acquisition the Group is acquiring 3 patents and 1 patent application which relate to the Allergodip™ product as well as 5 trademarks and 1 trademark application.

Sales and marketing

The majority of IVD sales are into the German domestic market where they have over 350 customers. There is a broad spread of customers with the primary customer base being small laboratories.

Outside of Germany, there is limited sales penetration with activity in only thirteen countries, the largest being Poland, Russia and Lebanon. Of the total IVD Business turnover, export sales only accounted for 4 per cent. of turnover.

5. Strategy of Enlarged Group

Existing Business

The strategy for the current Group companies continues to focus on the growth of two key product technologies, the Genarray™ microarray test and Food Detective™ for food intolerance. Both products are experiencing strong growth in the markets where they are being sold and further growth is expected in new territories where it is planned to launch the products. Other opportunities will be explored as the the Genarray™ technology also has the potential to be used in other application areas where ‘multiplexing’ can confer a competitive advantage. Another focus is to generate additional business in the Infectious Disease range through stronger partnerships with global IVD companies.

IVD Business

The allergy market in which the IVD Business operates may be described as comprising two segments.

SCREENING	initial screening to detect presence of IgE followed by testing against allergen groups to narrow down the cause of the allergic reaction
CONFIRMATION	a more detailed test against a small number of specific allergens to identify specific causes

The IVD Business currently operates in both of these segments. At present its extensive bank of over 600 allergens is supplied in the form of allergen coated discs which are used by laboratories in relatively low technology, open systems. The Directors consider that the IVD Business can be grown significantly by distributing the products of the IVD Business through the Group’s existing distribution network and then by implementing more sophisticated instrumentation strategies for each of the two allergy testing segments. Accordingly Omega Diagnostics has a two stage strategy to grow the IVD Business’ revenue and profit.

- | | |
|-------------------------|--|
| 1. DISTRIBUTION | drive export sales (currently only 4 per cent.) through the Omega Diagnostics international distribution network |
| 2a. SCREENING | develop a microarray instrument based on the successful Genarray™ system and deploy with customers to drive reagent sales. |
| 2b. CONFIRMATION | license in a sophisticated instrument – IDS-iSYS system – and deploy in customer laboratories to drive higher volumes and higher value reagent sales |

The Directors believe that there is an opportunity to enter the global allergy testing market which is currently dominated by one large multinational company. The Directors’ preferred approach, rather than incurring large development costs, with long timelines to market launch of a new instrument, is to licence the IDS-iSYS instrument. This is a proven instrument already established in immunoassay testing for multiple applications, which the Directors believe, after discussions with IDS technicians, requires only minor modifications to produce a competitive working system for allergy testing that will be able to process higher volumes of tests and thereby increase revenues for the Enlarged Group. Assay development time will be extensive due to the large number of individual allergy tests required on the test menu and this development requires funding, but the Board believes that, following the placing, adequate financial and technical resources will be available to the Enlarged Group and that this programme will result in additional value for Shareholders in the medium term.

The Directors believe that the Genarray™ microarray 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 blood sample, can confer a competitive advantage. The Board therefore believes that the Genarray™ system is ideally suited to routine allergy screening where the physician wishes to commence the diagnostic process on a broad approach.

The overall strategy is, within both of the segments described above, to offer diagnostic tests for allergy that will compete in all sectors of the market:-

- Open systems for small to medium sized laboratories – based on current Allergopharma product offering.

- Closed system equipment for medium to large laboratories – licensed IDS-iSYS instrument technology
- Multiplex assay for broad based screening of allergies – using the current Genarray™ system.

Distribution

The Allergopharma IVD distribution network only extends to thirteen countries whereas Omega Diagnostics' network extends to over 100 countries. The Directors intend to increase sales of the IVD Business and Omega Diagnostics products by cross-selling them into the combined distribution network.

Of particular importance will be the development of sales into developing countries such as the BRIC markets where the Group already has a presence. Also, with its strong product offering the Group intends to enter the North American market, subject to US FDA approval which will take time to obtain.

Acquisitions

Following Second Admission, the Directors will 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

Competition and Market

The Omega Diagnostics Board considers that small companies such as Omega Diagnostics are able to compete with global players with Omega Diagnostics benefiting, in particular given its broad geographical spread and the extent of its marketing distribution network, from key distributors such as Thermo Fisher Scientific.

Many of Omega Diagnostics' tests are performed manually and as such will continue to perform well in low technology markets.

However, for increased market penetration into the routine allergy testing markets, and in particular in the developed country markets, the Directors believe that Omega Diagnostics will need to deploy new technologies as outlined above.

Competitors

The key competitors of the Enlarged Group are set out below:

Allergy Testing market

- Phadia AB, a Swedish-based IVD company. Phadia is a well known leader in allergy testing globally and in autoimmune diagnostics within Europe. Sales for Phadia were €291 million in 2008, an increase of 14 per cent. over the prior year. Phadia's products include 'closed system' equipment such as the ImmunoCAP™ 100, 250, 1000 and 5000 systems. Phadia has recently launched a microarray technology called ISAC™ and the ImmunoCAP Rapid™ test which is designed for doctor's office diagnosis.
- DPC, part of the Siemens Group. DPC offers the fully automated Immulite™ system
- Hitachi Group. Hitachi offers manual multi-allergen screening.

The Directors are also aware of other companies in the European market such as Adaltis from Italy but the Directors believe that they are not so strong a competitor as Phadia who concentrate their efforts on the Allergy market.

Other Omega Diagnostics Products

There are many competitors operating in markets for the current range of Omega Diagnostics products. However, the Directors believe that there is no one single dominant competitor. Competitors include Biokit SA and Human GmbH in Europe and Biomerica in North America.

6. Omega Diagnostics Audited Results for Year Ended 31 March 2010

The Company announced its final results for the year ended 31 March 2010 on 16 July 2010. These results showed that during the year ended 31 March 2010, Omega Diagnostics reported a turnover of £6.2 million (2009: £5.4 million). This revenue generated gross profit of £3.6 million in 2010 (2009: £3.3 million) and adjusted profit before tax of £0.6 million (2009: £0.5 million) and a profit before tax after IFRS-related non cash charges of £0.2 million (2009: £0.3 million).

Further financial information on Omega Diagnostics is incorporated by reference in Part 3 of this document.

7. IVD Results for Year Ended 31 December 2009 and the Interim period to 30 June 2010

The results for IVD are based on a set of unaudited carve out financial statements from the Allergopharma business financial statements. For the year ended 31 December 2009, the IVD Business generated a turnover of €4.30 million (2008: €4.31 million), gross profit of €3.24 million (2008: €3.24 million) and an operating profit of €0.65 million (2008: €0.70 million). For the six months ended 30 June 2010 the IVD business reported turnover of €2.2m, gross profit of €1.6m and operating profit of €0.26m. As explained in Part 4 of this document these figures are unaudited and are extracted from the accounting records of Allergopharma.

8. Current Trading and Future Prospects

a. *Omega Diagnostics*

Trading in Omega Diagnostics for the current year is in line with management expectations and the Directors are confident in the prospects of the Enlarged Group. The Directors believe the Group will be well placed to exploit the new product opportunities that exist with the Allergy business.

b. *IVD Business*

Trading in the IVD Business for the current year is in line with management expectations. The Directors are confident that the strategy going forward will significantly enhance the Group's growth prospects.

9. Board

Upon Admission, the Directors will remain in their current positions and it is not envisaged that any new Directors will be appointed. Details of the members of the Board of the Company following Admission are as follows:

David Evans, CA, Non-Executive Chairman

Aged 50, David Evans, has considerable experience within the diagnostics industry. As Finance 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 Immunodiagnostic Systems Holdings plc and Epistem 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 54, Andrew Shepherd is the Chief Executive Officer of Omega Diagnostics. He became Chief Executive of the Company in September 2006, following the reverse takeover of Omega Diagnostics Limited, a company he founded over 20 years ago. He has been involved in the medical diagnostics industry for the last 36 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 45, 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 the 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.

Michael Gurner, FCA, Non-Executive Director

Aged 65, 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 an Official List 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 paragraph 2.10 of Part 6 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.

Geoff Gower, Executive Director

Geoff Gower, aged 54, is currently Managing Director of Genesis Diagnostics Ltd and Cambridge Nutritional Sciences Ltd. Prior to this he was the owner/director of Camsensia Ltd, a diagnostics consultancy business primarily involved in strategic business development.

Geoff Gower has held positions of Operations Director, Managing Director and General Manager with companies such as Dako and Oxoid, both significant companies in the In Vitro Diagnostics (IVD) sector. During a career spanning 26 years in the IVD arena he has served on several Boards since 1991. Geoff Gower has experience of overseeing the growth of diagnostic companies from both operations and general management perspectives.

10. Principal Terms of the Acquisition

Allergopharma, Omega Diagnostics GmbH (a wholly-owned German-registered subsidiary of the Company) and the Company have entered into the Acquisition Agreement, pursuant to which Omega Diagnostics GmbH will acquire the business and assets of the IVD Business. Further details of the IVD Business are set out in paragraph 4 of this letter. The assets to be acquired include but are not limited to the IVD Business' premises, the employment contracts of the IVD Business, intellectual property rights belonging to the IVD Business, technical and office equipment, contracts of the IVD Business and stock.

The consideration payable by Omega Diagnostics GmbH to Allergopharma under the Acquisition Agreement is EUR6.0 million, subject to a downwards only adjustment to account for, among other things, any reduction in the value of the IVD Business' stock value compared to an agreed reference value. The consideration is payable in full at Completion.

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

- the passing by the Shareholders of the Resolutions to be proposed at the General Meeting; and
- Second Admission.

The Company has undertaken to guarantee the obligations of Omega Diagnostics GmbH under the Acquisition Agreement.

Further details of the Acquisition Agreement are set out in paragraph 2.12.4 of Part 6 of this document.

Pensions

The Company currently makes payments into certain pension arrangements on a defined contribution basis on behalf of those employees who choose to join a scheme. The Company makes a contribution of up to 5 per cent. of salary to match contributions from employees. In some cases, employees can choose to pay more than 5 per cent. but this is at their discretion. The schemes are organised on a group personal basis which means that the Company itself does not have ownership of the schemes, with individual plans being arrangements between the employee and pension provider.

As a result of the acquisition of the IVD Business, and the resulting transfer of employees from Allergopharma to Omega Diagnostics GmbH, certain pre-Completion defined benefit pensions liabilities in respect of the transferring employees will, as a matter of law, fall to be met by Omega Diagnostics GmbH. At Completion, arrangements have been made for these pensions liabilities to be assumed by a third party in return for payment by Allergopharma to the third party of an agreed lump sum. An actuarial valuation of the potential liability has been carried out by the third party on the basis of certain assumptions, including as to the future capital growth of the lump sum. The Directors have sought and received advice that the assumptions used in the actuarial valuation are reasonable. The Directors therefore believe they will inherit a fully funded pension liability at the point of completion of the Acquisition. Should either the future investment growth rate or the mortality assumption used in the actuarial valuation prove to be incorrect, Omega Diagnostics GmbH will be required to fund any future shortfall in the funds available to meet the relevant pension liabilities.

With effect from Completion, Omega Diagnostics GmbH will be required to fund the future pension entitlements of those Allergopharma employees who transfer over with the Acquisition on similar terms to those of their historical entitlements. Omega Diagnostics GmbH has made arrangements, through a German broker, for the implementation of such a scheme. Omega Diagnostics GmbH has no obligation to extend such a scheme to new employees who join after Completion. The Company has guaranteed the obligations of its subsidiary, Omega Diagnostics GmbH, under the terms of the Acquisition Agreement.

11. Share Option Plans

Omega Diagnostics operates a number of equity-settled share-based payment plans as follows:

EMI Option Scheme and Unapproved Option Scheme

The plans are equity-settled plans and the fair value of awards of share options are measured at the grant date. Share options may be granted to directors and employees of the Group. The exercise price of the option is equal to the market price of the Company's shares on the date of grant. The options vest one year after the date of grant. The contractual life of each option granted is ten years and there is no cash settlement alternative.

Second Unapproved Option Scheme

The plan is an equity-settled plan the fair value of awards of share options under the above plan is measured at the grant date. Share options may be granted to third parties for provision of services to the Group. The exercise price of the option is equal to the market price of the Company's shares on the date of grant. The options vest three years after the date of grant. The contractual life of each option granted is ten years and there is no cash settlement alternative.

Further details of the Company's share option plans are set out at paragraph 2.8 of Part 6 of this document.

12. Corporate Governance

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code. Although the UK Corporate Governance Code is not compulsory for AIM companies, the Directors intend to apply the principles as far as practicable and appropriate for a public company of its size and intend to continue to do so.

The Directors 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-listed company, for this purpose.

The Company has established an Audit Committee and a Remuneration Committee. The Remuneration Committee comprising Michael Gurner as Chairman and David Evans determines the terms and conditions of service of the Executive Directors, including their remuneration and grant of options.

The Audit Committee comprising David Evans as Chairman and Michael Gurner has 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.

13. Dividend Policy

It is the 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 Directors intend to do so.

14. Use of Proceeds

The net proceeds of the Placing receivable by the Company will be approximately £6.75 million (after expenses) of which £5.0 million (€6.0 million) will be used to fund the cash consideration for the Acquisition and £1.75 million will be applied to working capital for the Company to implement the instrumentation elements of its growth strategy as described earlier in this document.

15. The Placing

The Company is proposing to raise approximately £7.75 million before expenses, by way of a placing by Cenkos, as the Company's agent, of the Placing Shares at the Placing Price with institutional and other investors. The Placing Shares will represent approximately 75.79 per cent. of the Enlarged Share Capital and will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends and other distributions thereafter declared, made or paid.

Pursuant to the Placing Agreement, Cenkos has conditionally agreed with the Company, on and subject to the terms set out therein, to use its reasonable endeavours to procure investors to subscribe for the Placing Shares at the Placing Price. The Placing in respect of 4,999,950 of the Placing Shares, is conditional, *inter alia*, upon the Resolutions being passed at the GM, and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms and First Admission taking place. The Placing in respect of the Second Admission Shares, is conditional, *inter alia*, upon the Resolutions being passed at the GM, the Acquisition Agreement not being terminated and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms and Second Admission taking place.

The Company and the Directors have, under the Placing Agreement, given warranties (which, so far as the Directors are concerned, are limited in terms of the amount of liability), in favour of Cenkos. In addition, the Company has given Cenkos an indemnity, typical for agreements of this type, which applies in certain circumstances. All of the Directors, being David Evans, Andrew Shepherd, Kieron Harbinson, Geoff Gower and Mike Gurner have agreed to subscribe for in aggregate 4,166,667 of the Placing Shares in the Placing.

Cenkos is entitled to terminate the Placing Agreement at its absolute discretion in certain specified circumstances prior to the each of the First Admission and the Second Admission, including, *inter alia*, for a breach of the terms of the Placing Agreement in any material respect by the Company or the Directors or if an event occurs or a matter arises prior to each of the First Admission and the Second Admission which renders any of the warranties untrue or incorrect in any material respect or in the event of *force majeure* arising.

On First Admission, at the Placing Price, the Company will have a market capitalisation of approximately £3.1 million.

On Second Admission, at the Placing Price, the Company will have a market capitalisation of approximately £10.2 million.

16. Admission to AIM and Dealings

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that First Admission will take place, and dealings in the First Admission Shares on AIM will commence, on 20 December 2010. It is expected that Second Admission will take place, and dealings in the Second Admission Shares on AIM will commence on 21 December 2010.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. Application has been made for all of the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission and Euroclear has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place in CREST.

It is expected that, subject to the passing of the Resolutions and the satisfaction of the other conditions to the Placing Agreement, the Placing Shares will be registered in the names of the Placees subscribing for them and issued either:

- (a) in certificated form, where the Placee so elects, with the relevant share certificate expected to be dispatched by post, at the Placee's risk, by 7 January 2011; or
- (b) in CREST, where the Placee so elects and only if the Placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for expected to take place in respect of the First Admission on 20 December 2010 and in respect of the Second Admission on 21 December 2010.

Notwithstanding the election by Placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittance sent by or to a place, or as they may direct, will be sent through the post at their risk.

Pending the dispatch of definitive share certificates (as applicable), instruments of transfer will be certified against the Company's register of members.

The International Securities Identification Number or "ISIN" for the Ordinary Shares is GB00B1VCP282.

17. Taxation

Further details of the taxation of the Group and a general guide to the taxation of dividends for Shareholders who are resident in the UK are set out in paragraph 6 of Part 6 of this document and your attention is drawn to this section. **Potential Shareholders who are in any doubt as to their tax position or who are subject to tax jurisdictions other than the UK are strongly advised to consult their professional advisers immediately.**

An application has been made to HMRC for provisional clearance that the Company is a qualifying company for the purposes of investments by Venture Capital Trusts ("VCTs"). The Company has received provisional confirmation to this effect. However, investors should note that the Company does not make any representations as to whether any investment in the Company will represent a qualifying holding for VCT purposes or whether any such tax status will not subsequently be withdrawn by virtue of the Company's future actions.

The attention of investors is drawn to the information regarding taxation which is set out in paragraph 6 of Part 6 of this document. These details are, however, intended only as a general guide to the current taxation law position in the UK. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdiction other than the UK are strongly advised to consult their professional advisers.

18. General Meeting

You will find set out at the end of this document a notice convening a General Meeting of the Company to be held at 9:00 a.m. on 17 December 2010 at Omega House, Alva, Clackmannanshire, FK12 5DQ at which the Resolutions will be proposed for the following purposes:

- 1. approval of the Acquisition;
- 2. granting of authority to the Directors to allot new shares in the Company; and
- 3. disapplication of statutory pre-emption rights in respect of shares allotted pursuant to that authority.

19. Irrevocable Undertakings

The Company has received irrevocable undertakings from the Directors to vote, or to procure the votes of Ordinary Shares held, in favour of the Resolutions to be proposed at the General Meeting in respect of a total of 1,609,818 Ordinary Shares representing approximately 7.8 per cent. of the Existing Ordinary Shares.

20. Further Information

Prospective investors should read the whole of this document, which provides additional information on the Company, the Group, the Placing and Admission, and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part 2 of this document which contains a summary of the risk factors relating to an investment in the Company, and to Part 6 of this document, which contains further additional information on the Group.

21. Action to be Taken

Whether or not you intend to be present at the General Meeting, as a Shareholder you are requested to complete and return the accompanying Form of Proxy which is enclosed with this document, in accordance with the instructions printed thereon, as soon as possible and in any event so as to be received by the Company's registrars, Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, not later than 9:00 a.m. on 15 December 2010. Completion and return of the Form of Proxy will not prevent you, as a Shareholder, from attending the General Meeting and voting in person should you wish to do so.

22. Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they have irrevocably undertaken to do in respect of their own beneficial shareholdings amounting to, in aggregate, 1,609,818 Ordinary Shares (representing 7.8 per cent. of the Existing Ordinary Shares of the Company as at the date of this document).

The following shareholders considered related parties under the AIM Rules have conditionally agreed to take up Placing Shares as part of the Placing:

Octopus Investments – 7,496,650 Placing Shares; and

Legal and General Investment Management – 13,450,000 Placing Shares.

The placing of Placing Shares with these related parties constitute related party transactions under the AIM Rules. The Directors consider, having consulted with Cenkos as the Company's nominated adviser, that the terms of the placing of Placing Shares with the aforementioned related parties are fair and reasonable so far as Shareholders are concerned.

Yours sincerely

David Evans

Non-Executive Chairman

PART 2

RISK FACTORS

THE ATTENTION OF PROSPECTIVE INVESTORS IS DRAWN TO THE FACT THAT OWNERSHIP OF ORDINARY SHARES IN THE COMPANY WILL INVOLVE A VARIETY OF RISKS WHICH, IF ANY WERE TO OCCUR, COULD HAVE A MATERIALLY ADVERSE EFFECT ON THE COMPANY'S BUSINESS AND/OR FINANCIAL CONDITION, RESULTS OR FUTURE OPERATIONS. IN SUCH CASE, THE MARKET PRICE OF THE ORDINARY SHARES COULD DECLINE AND INVESTORS MIGHT LOSE SOME OR ALL OF THEIR INVESTMENT.

In addition to the information set out in the rest of this document, the following risk factors in this Part 2 should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. Additionally, there may be risks not mentioned in this document of which the Board is not aware or believes to be immaterial but which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities in the UK.

Split Admission

The Acquisition is conditional on the Second Admission occurring (expected to be 21 December 2010). Consequently investors applying for Placing Shares to be issued on the date of First Admission (expected to be 20 December 2010) will be investing in the Company with the expectation, but not the certainty, that the Acquisition will occur. There is therefore a risk to those investors applying for Placing Shares to be issued on the date of First Admission that they will be investing in the Company on the basis of the existing business of the Company only as described in paragraph 3 of Part 1 of this Admission Document and without the Acquisition or the Second Admission occurring.

Security Specific Risk Factors

General

An investment in the Ordinary Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and should only constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their professional advisers regarding investment in the Ordinary Shares and/or who have sufficient experience to enable them to evaluate the risks and merits of such investment themselves.

Conditionality of Admission

The Placing in respect of 4,999,950 of the Placing Shares is conditional upon, among other things, admission to trading on AIM of the First Admission Shares. In the event that any condition, to which the First Admission is subject, is not satisfied or, if capable of waiver, waived, the First Admission will not be implemented and the relevant number of Placing Shares will not be issued.

The Placing in respect of the Second Admission Shares is conditional upon, among other things, admission to trading on AIM of the Second Admission Shares. In the event that any condition, to which the Second Admission is subject, is not satisfied or, if capable of waiver, waived, the Second Admission will not be implemented and the Second Admission Shares will not be issued.

Share price volatility and liquidity

Following Admission, the market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Group's actual financial, trading or operational performance. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares legislative changes and market, economic, political or regulatory conditions. The share price for publicly traded companies, particularly those at an early stage of development, such as the Company, can be highly volatile.

Admission should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for such Ordinary Shares.

There is no guarantee that the Company will maintain its listing on AIM

The Company cannot assure investors that the Company will always retain a listing on AIM. If it fails to retain such a listing, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Investment in AIM traded securities

The Ordinary Shares will be traded on AIM rather than admitted to the Official List. The AIM market is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than those admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List, and may not reflect the underlying value of the net assets of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment.

Issuance of additional Ordinary Shares

Although the Group's current business plan does not involve the issuance of further Ordinary Shares other than in the Placing, it is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest, and hence the proportionate voting interest, of Shareholders.

Risks relating to the Enlarged Group's Business

Relative Size of Enlarged Group

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.

The ability of the Enlarged Group to implement its growth strategy requires effective planning and management control systems. The Enlarged Group's growth plans may place a significant strain on the Enlarged Group's management, operational, financial and personnel resources. Therefore, the Enlarged Group's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and quality control systems in line with the Enlarged Group's growth could have a material effect on the Enlarged Group's business, financial condition and operating results.

The Board intends to expand the Enlarged Group both organically and by acquisition. There can be no guarantee that the Board will be able to agree the acquisitions of further suitable companies and/or businesses on acceptable terms nor any guarantee that the Company will be able to raise sufficient future finance at such time. Insofar as the Board does agree further acquisitions on behalf of the Company, while it will seek to protect the Company by conducting appropriate due diligence and agreeing suitable warranties and indemnities from the vendors, there can be no assurance that such new acquisitions will be successfully integrated into the Enlarged Group. Under the AIM Rules, acquisitions over a certain size would constitute a reverse takeover, and therefore in the event that the Company announced such an acquisition prior to the publication of a re-admission document, the Company's Ordinary Shares could be suspended from trading on AIM.

There is a risk that the Company may incur substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include public offer and transaction documentation, legal, accounting and other due diligence.

Loss of major supplier arrangements or significant changes to supplier terms and contracts

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.

There is a risk that not all of the current and anticipated contracts will be renewed or entered into in due course with suppliers, customers and/or other commercial partners. The Enlarged Group's operating plans and future results could be affected if this were to be the case and in particular if appropriate replacement suppliers, customers and/or commercial partners could not be found at substantially the same cost and/or on the same terms.

Management and employees

The Enlarged Group depends on the Directors and other key employees. Whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of their services cannot be guaranteed.

Equally the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Enlarged Group may experience difficulties in employing appropriate staff and the failure to do so may have a detrimental effect upon the trading performance of the Enlarged Group.

The Enlarged Group proposes to put in place over time additional personnel, and replacement personnel in terms of succession planning, in order to support and extend its current available management resource. There is no assurance, however, that these measures will be successful, or that they will fully keep pace with the Enlarged Group's expansion.

The Directors believe they have taken appropriate steps to be able to incentivise Directors and key staff members.

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

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

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 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 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.

There is no assurance that any future regulatory changes will not result in the requirement for further expenditure or the cessation, alteration or suspension of some or all of the Enlarged Group's products.

The production and marketing of the products is subject to regulations imposed by government authorities of the countries in which the products are to be sold. Changes to such regulations may adversely affect the commercial viability of products in those territories. Further there can be no assurance that delays in the regulatory process will not adversely affect the planned launch dates for some or all of the Enlarged Group's products.

There can be no assurance that the current confidential nature of the regulatory submissions will be fully maintained in the future.

Political risk

Governments and other third party buyers are attempting increasingly to contain healthcare costs by limiting both the coverage and the reimbursement for new therapeutic products. These developments may adversely affect the market acceptance of such products.

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, US dollars and potentially other currencies. Although the Directors seek to manage this exposure by buying materials in each of these currencies, fluctuations in the respective exchange rates between Sterling and other currencies 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 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 VCT legislation. Neither the Company nor the Company's advisers are giving any warranties or undertakings that 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 VCT qualifying status. The Enlarged Group cannot undertake to conduct its activities in a way designed to preserve any such relief or status.

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.

Health and safety

The Enlarged Group's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines, penalties and/or litigation.

Insurance

Although the Directors believe that the Enlarged Group maintains appropriate insurance with respect to its current activities, in certain circumstances this insurance may not provide adequate cover. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on the operations and financial position of the Enlarged Group. Moreover, there can be no assurance that the Enlarged Group will be able to maintain or secure adequate insurance in the future at rates that it considers reasonable.

Legal risks

The Enlarged Group operates in a number of jurisdictions where there are risks for foreign companies associated with compliance with local laws intended to promote local ownership, especially in respect of ownership property, obtaining visas and trading.

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.

The Enlarged Group's business exposes it to some potential product liability and professional indemnity risks. There can be no assurance that future necessary insurance cover will be available to the Enlarged Group at an acceptable cost, or that, in the event of any claim, the level of insurance carried by the Enlarged Group is adequate or that a product liability or other claim would not materially and adversely affect the business.

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.

Competitive environment

The Board intends to invest in the growth opportunities which it perceives to exist in the Enlarged Group's markets. However, the diagnostics market is competitive and the Enlarged Group may face significant competition from domestic and overseas competitors who have greater resources and superior brand recognition than the Enlarged Group and who may be able to provide better services, adopt more aggressive pricing policies or pay higher prices to acquire businesses. There is no assurance that the Enlarged Group will be able to compete successfully in such an environment.

Risks relating to the Acquisition

Integration and management of growth

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 the IVD Business. If the Directors encounter difficulties with the assimilation or integration of the IVD Business 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 Diagnostics and IVD Business products into the combined distribution network of the Enlarged Group. If the Directors are unable to increase sales of Omega Diagnostics and IVD Business 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 the IVD Business:

Requirement to negotiate with employees under German Law

By operation of German law, the transfer of the IVD Business to Omega Diagnostics GmbH will result in the automatic transfer to Omega Diagnostics GmbH of the IVD Business's employees on the same terms and conditions as applied to their employment with the Allergopharma, provided that the relevant employees do not object to the transfer. It is important to the success of the IVD Business, particularly during the period of integration with the Group's business, that certain key management and other employees of the IVD Business are retained. The Directors cannot be sure that any particular key employee, or a substantial number of other employees will not object to transfer of their employment.

In the event that any employee of the IVD Business objects to the transfer of his or her employment and as a consequence continues in the employment of Allergopharma, Omega Diagnostics GmbH is required under the terms of the Acquisition Agreement to contribute (subject to a cap) to Allergopharma's costs in connection with the ongoing employment of that employee (provided that Allergopharma terminates that employee's contract of employment if legally possible without delay). The required contribution is more fully described in paragraph 2.12.4 of Part 6 of this document.

The Directors will take steps prior to completion of the Acquisition to meet with and discuss the situation with employees of the IVD Business in order to try and reduce the likelihood of employees objecting to the transfer.

Pension

As a result of the acquisition of the IVD Business, and the resulting transfer of employees from Allergopharma to the Company, certain pre-Completion pensions liabilities in respect of the transferring employees will, as a matter of law, fall to be met by the Company. At Completion, arrangements have been made for these pensions liabilities to be assumed by a third party in return for payment by the Company to the third party of an agreed lump sum. An actuarial valuation of the potential liability has been carried out by the third party on the basis of certain assumptions, including as to the future capital growth of the lump sum. The Directors have sought and received advice that the assumptions used in the actuarial valuation are reasonable. The Directors therefore believe they will inherit a fully funded pension liability at the point of Completion. Should either the future investment growth rate or the mortality assumption used in the actuarial valuation prove to be incorrect, the Company will be required to fund any future shortfall in the funds available to meet the relevant pension liabilities. If the Company is required to fund a future shortfall, this could have an adverse effect on the Group but the Directors have discussed this with advisors and believe the risk to be minimal.

Integration

The Company has conditionally agreed to acquire the IVD Business. However there is no certainty that this business will be successfully integrated into the Enlarged Group or that the Acquisition will grow in line with the Directors' expectation and provide value for investors. In addition, the benefits of the Acquisition may take considerable time to develop and not all suppliers to the IVD Business or distributors for the IVD Business may wish to continue supplying or distributing for Omega Diagnostics GmbH. Initially, the Group will require to rely on Allergopharma for the provision of certain transitional services as more fully set out in paragraph 2.12.4(iii) of Part 6 of this document.

Financial Information

Financial information for the IVD Business included in this document is unaudited and extracted from the financial records of Allergopharma. Accordingly, whilst the Directors have conducted a due diligence exercise on the information this work does not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices) and the Company's auditors do not express any assurance in respect of the financial information of the IVD Business for the years ended 31 December 2007, 2008 and 2009 nor the interim periods ended 30 June 2009 and 30 June 2010.

Secondary Liability Section 75AO German Tax Act

As a result of the acquisition of real estate as part of the Acquisition the Group may be subject to a secondary liability under Section 75AO of the German Tax Act if it fails to remit all relevant primary taxes for Acquisition. The Directors believe that it is unlikely that any secondary liability will become payable as both Allergopharma and the Company will take due care to remit all taxes.

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 of the Financial Services Authority. 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 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. The market value of the Ordinary Shares may not necessarily reflect the underlying net asset value of the Enlarged Group.

Future sales of new Ordinary Shares

Following Admission, sales, or the possibility of sales of substantial numbers of 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 Ordinary Shares.

Other Risk Factors

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 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 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 Ordinary Shares.

Risks associated with potential future acquisitions

As part of the Enlarged Group's growth strategy the Company may pursue further acquisitions. The Company's ability to grow and create value for its investors through such acquisitions will depend on; the availability of suitable acquisition candidates at an acceptable cost, the Company's ability to compete effectively for these acquisition candidates, the availability of capital to complete such acquisitions and the ability of the Company to integrate successfully any businesses acquired into the Enlarged Group. These risks could be heightened if the Company completes several acquisitions within a relatively short period of time. The benefits of an acquisition may take considerable time to develop and the Company cannot guarantee that any acquisition will produce the intended benefits.

In addition, acquisitions and integration of those acquisitions involve a number of risks, including:

- inaccurate assessment of assets and liabilities, disclosed or undisclosed;
- diversion of management's attention from the Enlarged Group's existing businesses;
- potential loss of key employees or clients of the acquired businesses;
- maintenance of uniform standards, controls, procedures and policies; and
- increase in the Enlarged Group's indebtedness and contingent liabilities, which could in turn restrict its ability to access additional capital when needed or to pursue other important elements of the Enlarged Group's business strategy.

The Company cannot give any assurance that it will be able successfully to integrate any business, products, technologies or personnel that the Company might acquire in the future, and its failure to do so could adversely affect the business, results of operations and prospects of the Enlarged Group and the value of the Ordinary Shares.

The Company may face significant competition from both domestic and international competitors who have greater capital, greater resources and superior brand recognition than the Company. There is no guarantee that the Company would be able to compete successfully in relation to any future acquisitions.

Additional financing risks

It may be necessary for the Company to raise additional capital to finance the growth of the Enlarged Group through future stages of expansion. Any such capital requirement may not be available to the Enlarged Group on favourable terms or at all and any future fundraising may lead to a dilution of Shareholders' interests.

In the event that the Company secures facilities to borrow funds in the future, it is not certain that such facilities will be able to be secured at levels or on terms acceptable to the Directors. Any amounts that are secured under a bank facility are likely to rank ahead of Shareholders' entitlements and, accordingly, should the Company's assets not grow at a sufficient rate to cover the costs of establishing and operating the Company, Shareholders may not recover their initial investment. Prospective investors should be aware that whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. Should any fall in the underlying asset value or revenue result in the Company breaching financial covenants given to any lender, the Company may be required to repay such borrowings in whole or in part together with any related costs. If the Company is required to repay all or part of its borrowings, it may be required to sell assets at less than their fair value.

Forward looking statements

Certain statements within this document, including those in Part 1 of this document, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Enlarged Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, competition, changes in development plans and the other

risks described in this Part 2. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. Past performance is no guarantee or guide as to the future financial performance of the Company.

The Enlarged Group is subject to most of or all of the commercial, legal, employment, operational and reputational risks that also affect others in other business sectors. The risks above do not necessarily comprise all those faced by the Enlarged Group and are not intended to be presented in any assumed order of priority. 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 relief from, taxation may affect the value of an investment in the Enlarged Group.

AN INVESTMENT IN OMEGA MAY NOT BE SUITABLE FOR ALL RECIPIENTS OF THIS DOCUMENT. POTENTIAL INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED, WHO SPECIALISES IN INVESTMENTS OF THIS KIND BEFORE MAKING A DECISION.

PART 3

FINANCIAL INFORMATION ON OMEGA

Audited financial information on the Omega Diagnostics Group for the financial years ended 31 March 2008, 2009 and 2010

The annual reports, including audited accounts (including their respective audit reports), of the Omega Diagnostics Group for the financial years ended 31 March 2008, 2009 and 2010 are incorporated in this document by reference.

The financial information on the Omega Diagnostics Group incorporated in this document by reference does not constitute statutory accounts. The reports of the auditors, on the consolidated financial statements for the financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 were unqualified.

The above annual reports are available free of charge on the Omega Diagnostics website at <http://www.omegadiagnostics.com>. These annual reports are available in “read-only” format and can be printed from the Omega Diagnostics website. Omega Diagnostics will provide within two Business Days, without charge, to each person to whom a copy of this document has been sent, upon their written or verbal request, a copy of any information incorporated by reference in this document. Copies of any information incorporated by reference in this document will not be provided unless such a request is made.

Requests for copies of any such document should be directed to the Company Secretary of Omega Diagnostics, Omega House, Hillfoots Business Village, Alva, Scotland, FK12 5DQ.

PART 4

FINANCIAL INFORMATION ON IVD BUSINESS

Unaudited financial information on the IVD Business for the three financial years ended 31 December 2007, 2008 and 2009 and the interim periods ended 30 June 2009 and 30 June 2010

This information is unaudited and has been extracted from the financial and accounting records of Allergopharma. The information has been prepared by the Directors in accordance with IFRS with certain deviations as described in the basis of preparation in Note 3 to the Financial Statements. The Directors believe that this extracted financial information contains sufficient information about the IVD Business to provide a properly informed basis for assessing its financial performance and position.

The IVD Business

Unaudited Financial Statements

30 June 2010

**Income statement
for the period ended 30 June 2010**

	<i>6m ended</i>	<i>Year ended</i>	<i>6m ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 Jun</i>	<i>31 Dec</i>	<i>30 Jun</i>	<i>31 Dec</i>	<i>31 Dec</i>
<i>Notes</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
<i>Continuing operations</i>					
Revenue	2,190	4,300	2,270	4,306	4,375
Cost of sales	(564)	(1,056)	(572)	(1,071)	(904)
<i>Gross profit</i>	1,626	3,244	1,698	3,235	3,471
Administration costs	(1,109)	(2,102)	(1,030)	(2,119)	(2,181)
Other operating expense	(259)	(496)	(278)	(418)	(510)
<i>Operating profit and profit for the year</i>	6 258	646	390	698	780

**Statement of comprehensive income
for the period ended 30 June 2010**

The Entity has no recognised gains or losses for the current period or prior years other than those recognised in the Entity's income statement.

**Balance sheet
as at 30 June 2010**

	<i>Notes</i>	<i>As at 30 Jun 2010 €000</i>	<i>As at 31 Dec 2009 €000</i>	<i>As at 30 Jun 2009 €000</i>	<i>As at 31 Dec 2008 €000</i>	<i>As at 31 Dec 2007 €000</i>	<i>As at 1 Jan 2007 €000</i>
<i>Non-current assets</i>							
Property, plant and equipment	7	1,018	1,052	1,103	1,140	1,234	1,195
		<u>1,018</u>	<u>1,052</u>	<u>1,103</u>	<u>1,140</u>	<u>1,234</u>	<u>1,195</u>
<i>Current assets</i>							
Inventories	8	1,381	1,314	1,255	1,170	1,044	1,017
Trade and other receivables	9	299	191	374	241	207	207
		<u>1,680</u>	<u>1,505</u>	<u>1,629</u>	<u>1,411</u>	<u>1,251</u>	<u>1,224</u>
<i>Total assets</i>		<u><u>2,698</u></u>	<u><u>2,557</u></u>	<u><u>2,732</u></u>	<u><u>2,551</u></u>	<u><u>2,485</u></u>	<u><u>2,419</u></u>
<i>Equity</i>							
Net Investment		<u>919</u>	<u>774</u>	<u>1,063</u>	<u>1,320</u>	<u>1,424</u>	<u>1,465</u>
<i>Total equity attributable to owners</i>		<u>919</u>	<u>774</u>	<u>1,063</u>	<u>1,320</u>	<u>1,424</u>	<u>1,465</u>
<i>Current liabilities</i>							
Trade and other payables	10	338	280	348	354	285	282
Provision for pension liability		<u>1,441</u>	<u>1,503</u>	<u>1,321</u>	<u>877</u>	<u>776</u>	<u>672</u>
<i>Total liabilities</i>		<u>1,779</u>	<u>1,743</u>	<u>1,669</u>	<u>1,231</u>	<u>1,061</u>	<u>954</u>
<i>Total equity and liabilities</i>		<u><u>2,698</u></u>	<u><u>2,557</u></u>	<u><u>2,732</u></u>	<u><u>2,551</u></u>	<u><u>2,485</u></u>	<u><u>2,419</u></u>

**Statement of changes in equity
for the period ended 30 June 2010**

	<i>Net Investment €000</i>	<i>Total €000</i>
<i>Balance at 1 January 2007</i>	1,465	1,465
Appropriation of profit for the year ended 31 December 2007	780	780
Other movement in net investment	(821)	(821)
<i>Balance at 31 December 2007</i>	1,424	1,424
Appropriation of profit for the year ended 31 December 2008	698	698
Other movement in net investment	(802)	(802)
<i>Balance at 31 December 2008</i>	1,320	1,320
Appropriation of profit for the six months ended 30 June 2009	390	390
Other movement in net investment	(647)	(647)
<i>Balance at 30 June 2009</i>	1,063	1,063
Appropriation of profit for the six months ended 31 December 2009	256	256
Other movement in net investment	(545)	(545)
<i>Balance at 31 December 2009</i>	774	774
Appropriation of profit for the six months ended 30 June 2010	258	258
Other movement in net investment	(113)	(113)
<i>Balance at 30 June 2010</i>	919	919

Due to the carve-out nature of the accounts, it is not meaningful to analyse the net investment balance movements further. The reserve reflects the effective investment of Merck in IVD, including the cumulative net cash flows of the Entity settled for IVD by Allergopharma.

**Cash flow statement
for the period ended 30 June 2010**

	<i>6m ended 30 Jun 2010 €000</i>	<i>Year ended 31 Dec 2009 €000</i>	<i>6m ended 30 Jun 2009 €000</i>	<i>Year ended 31 Dec 2008 €000</i>	<i>Year ended 31 Dec 2007 €000</i>
<i>Notes</i>					
<i>Cash flows generated from operations</i>					
Profit for the year	258	646	390	698	780
<i>Operating profit before working capital movement</i>	258	646	390	698	780
(Increase)/decrease in trade and other receivables	(108)	50	(133)	(34)	—
Increase in inventories	(67)	(144)	(85)	(126)	(27)
Increase/(decrease) in trade and other payables	58	(74)	(6)	69	3
Loss on sale of property, plant and equipment	—	6	—	—	13
Depreciation – fixed assets	61	117	63	120	116
<i>Net cash flow from operating activities</i>	202	601	229	727	885
<i>Investing activities</i>					
Purchase of property, plant and equipment	(27)	(35)	(26)	(26)	(168)
<i>Net cash used in investing activities</i>	(27)	(35)	(26)	(26)	(168)
<i>Financing activities</i>					
Net payments through parent intercompany	(175)	(566)	(203)	(701)	(717)
<i>Net cash from financing activities</i>	(175)	(566)	(203)	(701)	(717)
Net increase in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents at beginning of period	—	—	—	—	—
<i>Cash and cash equivalents at end of period</i>	—	—	—	—	—

The cash flows of the business are managed by Allergopharma. Allergopharma pays all costs and receives all income on a timely basis on behalf of IVD. Cash is not retained by IVD, but is ‘swept up’ into Merck through Allergopharma, therefore there is an annual appropriation of cash to a subsidiary company of Merck equal to the net cash generation for the year.

**Notes to the financial statements
for the period ended 30 June 2010**

1. Authorisation of financial statements and Statement of compliance with International Financial Reporting Standards (“IFRS”)

The Entity’s financial statements have been prepared in accordance with IFRS as adopted by the European Union as they apply to the financial statements of the Entity for the period ended 30 June 2010 with certain exceptions as noted in note 3 to the financial statements.

2. Corporate information

The Entity’s financial statements represent the medical diagnostic test kits business of Allergopharma Joachim Ganzer KG (“Allergopharma”) These operations (which are the Entity’s principal activities) are an unincorporated division of Allergopharma within Germany and abroad. IVD was controlled by Allergopharma for the three years ending 31 December 2009 and is domiciled in Germany. The Entity’s financial statements are carved out from the financial statements of Allergopharma, an entity ultimately controlled by the Merck KGaA (“Merck”). These financial statements are the first set of financial statements for IVD.

3. Significant accounting policies

Basis of preparation

The historical financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union except as described below. References to “IFRS” hereafter should be construed as references to IFRS as adopted by the European Union.

IFRS does not provide for the preparation of carve-out financial information and, accordingly, in preparing the carve-out financial information certain accounting conventions commonly used for the preparation of historical information for inclusion in investment circulars as described in Annexure SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied.

These financial statements are rounded to the nearest thousand Euros (€000) except where otherwise indicated.

The following is a summary of deviations in the basis of preparation from the requirements of IFRS:

Application of IAS 16: Property, Plant and Equipment

Included within Inventory are laboratory instruments and associated computer hardware supplied by IVD to its customers as part of its allergy testing package. IVD retains both the title and the obligation to repair and therefore under IFRS, these instruments should be classified as Property, Plant and Equipment and depreciated under IAS 16. IVD has historically treated the instruments as inventory and has written down their values each year. This treatment has been maintained in the carve-out financial information.

Application of IAS 19: Employee Benefits

IVD personnel are members of certain Allergopharma pension schemes. The schemes are defined benefit schemes in nature and are historically unfunded. The financial statements do not comply with IAS 19 as the valuation of the pension fund entitlements for the IVD employees was prepared under German GAAP. There has been only one valuation performed, as at 30 June 2010.

The following summarises the accounting and other principles applied in preparing these carve out financial statements:

Application of IFRS 1: First-time Adoption of International Financial Reporting Standards

These financial statements are the first set of financial statements produced by IVD. The rules for first-time adoption of IFRS are set out in IFRS 1 First-time Adoption of International Financial Reporting Standards. IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process. The Entity has applied the following exemptions: deemed cumulative translation differences for foreign operations to be zero at the date of transition; any gains and losses or subsequent disposals of foreign operations will not therefore include translation differences arising prior to the transition date.

IVD has not previously prepared financial statements and thus it is not appropriate to prepare reconciliations to IFRS.

Opening equity and reserves

Opening equity is based on combining the opening reserves within IVD as at 1 January 2007. However, as all retained earnings are transferred to Allergopharma annually, the opening retained earnings balance is zero.

Serumbank inventory

Prior to the 2008 year end, Serumbank assets were expensed as incurred, rather than capitalised. There are no records available for the period prior to the 2008 year end, to enable an adjustment to be posted to the 2007 and 2006 balance sheets. The value of Serumbank included in Inventory at 30 June 2010 and 31 December 2009 was €288,000 (30 June 2009 and 31 December 2008: €315,000).

Related party transactions

Transactions and balances between IVD and Merck (or its subsidiaries) are treated as third party transactions in the financial statements, and appropriate disclosures are made in accordance with IAS 24 Related Party Disclosures. In addition to the transactions disclosed in note 12, there are a number of transactions between Allergopharma and IVD that have historically incurred no charge and therefore no amounts have been included in these financial statements. The income statement only includes external sales and purchases. The transactions for which no charge was incurred by IVD relate to the activation of discs by Allergopharma for IVD. The transactions for which no income was received by IVD were the supply of an area of the IVD building by IVD to Allergopharma for production purposes, and the supply of Allergen discs. Cost and income will be incurred and received by IVD in future years in relation to these transactions.

Income taxes

The corporate structure of Allergopharma is such that no corporation tax is payable by the Entity. Instead, the Partners who own the business are responsible for their personal income tax. Thus no income tax charge is included within these financial statements. This is not necessarily representative of the position that may prevail in future.

VAT Liability

Historically Allergopharma have not calculated a VAT liability for IVD separately. For the purposes of these carve out financial statements the VAT liability has been calculated using the gross margin and assuming that all revenue and costs are subject to VAT. Allergopharma pay VAT on a monthly basis.

Use of estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Inventory Provisions

Management judgement is required to determine the amount of inventory provision required to ensure that the valuation of inventory is in line with the accounting policy given below. To determine the level of inventory provision, management considers the likelihood of future sales and the ageing profile of current inventory. The inventory provision at 30 June 2010 is €nil (30 June 2009: €nil) and at 31 December 2009 is €Nil (2008: €Nil, 2007: €Nil).

Foreign currency translation

The Entity's functional and presentational currency is Euros. Transactions in currencies other than Euros 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 (i.e. in currencies other than the euro) 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, on a straight line basis as follows.

Buildings	33 years, straight line with no residual value
Freehold improvements	10 years, straight line with no residual value
Plant and machinery	8-10 years, straight line with no residual value

Land is not depreciated

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. Management judgement is required to determine the appropriate useful lives of and residual values of assets, which are reviewed annually and where adjustments are required these are made prospectively.

Impairment of assets

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists the Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Inventories

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

Leases

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.

Trade receivables

Trade receivables are recognised and carried at the original invoice amount and recoverable amount. A provision for doubtful amounts is made when there is objective evidence that collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as remote. Payment terms vary from payment in advance to 90 days.

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 Entity after deducting all of its liabilities.

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

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

New standards and interpretations not applied

The following standards and interpretations have an effective date after the date applicable to the year ended 31 March 2011 and will be applied in the year ended 31 March 2012, 2013 and 2014 financial statements as appropriate.

<i>International Accounting Standards (IAS/IFRSs)</i>		<i>Effective date*</i>
IFRS 1	Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 disclosures	1 July 2010
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2013
IAS 24	Related Party Disclosures (revised)	1 January 2011
<i>International Financial Reporting Interpretations Committee (IFRIC)</i>		
IFRIC 14	Amendments: Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The following standard has an effective date before the date applicable to the year ended 31 March 2011 but has not yet been endorsed.

<i>International Accounting Standards (IAS/IFRSs)</i>		<i>Effective date*</i>
IFRS 1	Amendments to IFRS 1 – Additional Exemptions for First-time Adopters	1 January 2010

* The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Entity prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Entity's discretion to adopt standards early.

Management does not anticipate that the adoption of these standards and interpretations will have a material impact on the Entity's financial statements in the period of initial application.

IFRS 3 (revised) will apply to business combinations arising from 1 January 2010. This will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs will be required to be recognised immediately in the income statement. This has had no effect on the financial performance or position of the Entity in the current year.

The Entity has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Entity:

<i>International Accounting Standards (IAS/IFRSs)</i>		<i>Effective date*</i>
IFRS 1	First Time Adoption of International Reporting Standards	1 July 2009
IFRS 2	Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 32	Amendment to IAS 32: Classification of Rights Issues	1 February 2010
IAS 39	Eligible Hedged Items	1 July 2009
Improvements to IFRS (issued April 2009)		Various dates
<i>International Financial Reporting Interpretations Committee (IFRIC)</i>		
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of Assets from Customers	1 July 2009

4. Segment information

For management purposes, the Entity's activities are in one operating segment, diagnostic testing kits, which is a single product area. Whilst financial information for this operating segment has not historically been prepared by Allergopharma, this structure has been adopted as it is consistent with the Entity's management of the business. Therefore no IVD information has historically been reviewed by the chief operating decision maker other than as part of Allergopharma. Hence the assets and liabilities of the segment have not been disclosed.

Operating segments

	<i>6m ended</i> <i>30 Jun</i> <i>2010</i> <i>€000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2009</i> <i>€000</i>	<i>6m ended</i> <i>30 Jun</i> <i>2009</i> <i>€000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2008</i> <i>€000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2007</i> <i>€000</i>
Revenues					
External customer	<u>2,190</u>	<u>4,300</u>	<u>2,270</u>	<u>4,306</u>	<u>4,375</u>
Results					
Depreciation – fixed assets	(61)	(117)	(63)	(120)	(116)
Depreciation – Merchandise	(93)	(231)	(107)	(355)	(362)
Research & development	(12)	(24)	(10)	(27)	(159)
Segment profit	<u>258</u>	<u>646</u>	<u>390</u>	<u>730</u>	<u>780</u>
Other disclosures					
Capital expenditure	<u>27</u>	<u>35</u>	<u>26</u>	<u>26</u>	<u>168</u>

Geographical segments

The Entity's geographical segments are based on the location of its markets and customers. The country of domicile is Germany.

	<i>6m ended</i> <i>30 Jun</i> <i>2010</i> <i>€000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2009</i> <i>€000</i>	<i>6m ended</i> <i>30 Jun</i> <i>2009</i> <i>€000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2008</i> <i>€000</i>	<i>Year ended</i> <i>31 Dec</i> <i>2007</i> <i>€000</i>
Revenues from external customers					
Germany	2,118	4,130	2,169	4,103	4,154
Other Eurozone	3	12	9	12	15
Other Europe	58	141	84	174	187
Asia and Far East	—	—	—	2	5
Africa and Middle East	<u>11</u>	<u>17</u>	<u>8</u>	<u>15</u>	<u>14</u>
Total revenue per income statement	<u>2,190</u>	<u>4,300</u>	<u>2,270</u>	<u>4,306</u>	<u>4,375</u>
	<i>As at</i> <i>30 Jun</i> <i>2010</i> <i>€000</i>	<i>As at</i> <i>31 Dec</i> <i>2009</i> <i>€000</i>	<i>As at</i> <i>30 Jun</i> <i>2009</i> <i>€000</i>	<i>As at</i> <i>31 Dec</i> <i>2008</i> <i>€000</i>	<i>As at</i> <i>1 Jan</i> <i>2007</i> <i>€000</i>
Non-current assets					
Germany	<u>1,018</u>	<u>1,052</u>	<u>1,103</u>	<u>1,140</u>	<u>1,195</u>
Total	<u>1,018</u>	<u>1,052</u>	<u>1,103</u>	<u>1,140</u>	<u>1,195</u>

Non-current assets for this purpose consist of property, plant and equipment.

5. Taxation

The entity, being part of Merck, is majority owned by the members of Merck, who pay income tax on their income from the Entity. Therefore, no corporation tax liability has been paid by IVD in 2007-2010, hence no estimated tax charges have been included for the purpose of these financial statements. This position is not necessarily representative of the tax charges that would have been reported had IVD been an independent entity, nor is it necessarily representative of the tax charges that may arise in the future.

6. Revenue and expenses

	<i>6m ended</i>	<i>Year ended</i>	<i>6m ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 Jun</i>	<i>31 Dec</i>	<i>30 Jun</i>	<i>31 Dec</i>	<i>31 Dec</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Revenues					
Revenue – Sales of goods	2,190	4,300	2,270	4,306	4,375
Total revenue	<u>2,190</u>	<u>4,300</u>	<u>2,270</u>	<u>4,306</u>	<u>4,375</u>

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

	<i>6m ended</i>	<i>Year ended</i>	<i>6m ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 Jun</i>	<i>31 Dec</i>	<i>30 Jun</i>	<i>31 Dec</i>	<i>31 Dec</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Operating profit is stated after charging					
Depreciation – fixed assets	61	117	63	120	116
Depreciation – Merchandise	93	231	107	355	362
Net foreign exchange (gains)/losses	—	(1)	—	1	(1)
Inventory cost recognised as an expense	345	638	354	648	499
Research & development costs	12	24	10	27	159
Auditors' remuneration					
– Fees payable to the Entity's auditor for the audit of the annual accounts	<u>—</u>	<u>23</u>	<u>—</u>	<u>23</u>	<u>23</u>

Staff costs

	<i>6m ended</i>	<i>Year ended</i>	<i>6m ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 Jun</i>	<i>31 Dec</i>	<i>30 Jun</i>	<i>31 Dec</i>	<i>31 Dec</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Aggregate staff remuneration comprised:					
Wages and salaries	773	1,416	704	1,348	1,372
Social security costs	<u>120</u>	<u>239</u>	<u>113</u>	<u>225</u>	<u>192</u>
	<u>893</u>	<u>1,655</u>	<u>817</u>	<u>1,574</u>	<u>1,564</u>

7. Property, plant and equipment

	<i>Buildings under construction €000</i>	<i>Freehold land and buildings €000</i>	<i>Freehold improvements €000</i>	<i>Plant and machinery €000</i>	<i>Total €000</i>
<i>Cost:</i>					
At 1 January 2007	591	429	7	568	1,595
Additions	11	80	—	77	168
Disposals	—	—	—	(97)	(97)
Transfers	(602)	351	251	—	—
At 31 December 2007	—	860	258	548	1,666
Additions	—	—	—	26	26
At 31 December 2008	—	860	258	574	1,692
Additions to 30 June 2009	—	—	—	26	26
At 30 June 2009	—	860	258	600	1,718
Additions to 31 December 2009	—	—	—	9	9
Disposals	—	—	—	(50)	(50)
At 31 December 2009	—	860	258	559	1,677
Additions to 30 June 2010	—	—	—	27	27
At 30 June 2010	—	860	258	586	1,704
<i>Accumulated depreciation:</i>					
At 1 January 2007	—	11	—	389	400
Charge in the year	—	22	26	68	116
Disposals	—	—	—	(84)	(84)
At 31 December 2007	—	33	26	373	432
Charge in the year	—	22	26	72	120
Disposals	—	—	—	—	—
At 31 December 2008	—	55	52	445	552
Charge in 6m to 30 June 2009	—	11	13	39	63
At 30 June 2009	—	66	65	484	615
Charge in 6m to 31 December 2009	—	11	13	30	54
Disposals	—	—	—	(44)	(44)
At 31 December 2009	—	77	78	470	625
Charge in 6m to 30 June 2010	—	11	13	37	61
At 30 June 2010	—	88	91	507	686
<i>Net book value</i>					
30 June 2010	—	772	167	79	1,018
31 December 2009	—	783	180	89	1,052
30 June 2009	—	794	193	116	1,103
31 December 2008	—	805	206	129	1,140
31 December 2007	—	827	232	175	1,234

8. Inventories

	<i>As at 30 Jun 2010 €000</i>	<i>As at 31 Dec 2009 €000</i>	<i>As at 30 Jun 2009 €000</i>	<i>As at 31 Dec 2008 €000</i>	<i>As at 31 Dec 2007 €000</i>	<i>As at 1 Jan 2007 €000</i>
Raw materials	495	495	489	519	345	186
Work in progress	110	101	90	82	75	125
Finished goods and goods for resale	776	718	676	569	624	706
	<u>1,381</u>	<u>1,314</u>	<u>1,255</u>	<u>1,170</u>	<u>1,044</u>	<u>1,017</u>

The amount of write-down of inventories recognised as an expense at 31 December 2009 is €33,200 (2008: €45,600, 2007: €10,000, 2006: €10,000) which is recognised in cost of sales. There were no write-down of inventories at 30 June 2010 or 30 June 2009.

9. Trade and other receivables

	<i>As at 30 Jun 2010 €000</i>	<i>As at 31 Dec 2009 €000</i>	<i>As at 30 Jun 2009 €000</i>	<i>As at 31 Dec 2008 €000</i>	<i>As at 31 Dec 2007 €000</i>	<i>As at 1 Jan 2007 €000</i>
Trade receivables*	294	186	369	237	202	203
Other receivables*	5	5	5	4	5	4
	<u>299</u>	<u>191</u>	<u>374</u>	<u>241</u>	<u>207</u>	<u>207</u>

* Receivables held at amortised cost.

Analysis of trade receivables

	<i>As at 30 Jun 2010 €000</i>	<i>As at 31 Dec 2009 €000</i>	<i>As at 30 Jun 2009 €000</i>	<i>As at 31 Dec 2008 €000</i>	<i>As at 31 Dec 2007 €000</i>	<i>As at 1 Jan 2007 €000</i>
Neither impaired nor past due	242	164	329	204	162	171
Past due but not impaired	52	22	40	33	40	32

Ageing of past due but not impaired trade receivables

	<i>As at 30 Jun 2010 €000</i>	<i>As at 31 Dec 2009 €000</i>	<i>As at 30 Jun 2009 €000</i>	<i>As at 31 Dec 2008 €000</i>	<i>As at 31 Dec 2007 €000</i>	<i>As at 1 Jan 2007 €000</i>
Up to 3 months	54	24	33	23	22	8
Between 3 and 6 months	1	(7)	(1)	(1)	(1)	7
More than 6 months	(3)	5	8	11	19	17

Management considers that the carrying amount of trade receivables and other receivables approximates their fair value.

The credit quality of trade receivables that are neither past due nor impaired is assessed internally with reference to historical information relating to counterparty default rates.

10. Trade and other payables

	<i>As at</i> <i>30 Jun</i> <i>2010</i> €000	<i>As at</i> <i>31 Dec</i> <i>2009</i> €000	<i>As at</i> <i>30 Jun</i> <i>2009</i> €000	<i>As at</i> <i>31 Dec</i> <i>2008</i> €000	<i>As at</i> <i>31 Dec</i> <i>2007</i> €000	<i>As at</i> <i>1 Jan</i> <i>2007</i> €000
Trade payables	—	4	3	33	44	78
Other payables	338	276	345	321	241	204
	<u>338</u>	<u>280</u>	<u>348</u>	<u>354</u>	<u>285</u>	<u>282</u>

Trade payables and other payables comprise amounts outstanding for trade purchases and ongoing costs. Management considers that the carrying amount of trade payables approximates their fair value.

11. Commitments & contingencies

Operating lease commitments

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

	<i>As at</i> <i>30 Jun</i> <i>2010</i> €000	<i>As at</i> <i>31 Dec</i> <i>2009</i> €000	<i>As at</i> <i>30 Jun</i> <i>2009</i> €000	<i>As at</i> <i>31 Dec</i> <i>2008</i> €000	<i>As at</i> <i>31 Dec</i> <i>2007</i> €000
Operating leases					
Office equipment:					
Within one year	—	1	2	4	6
Within two to five years	—	—	—	1	3

Leases are in force for office equipment and extend to time periods ranging from September 2004 to June 2010. The leases have not been renewed in 2010.

12. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 30 June 2010 and 2009 and 31 December 2009, 2008 and 2007, as well as 1 January 2007, refer to Notes 9 and 10):

	<i>As at</i> <i>30 Jun</i> <i>2010</i> €000	<i>As at</i> <i>31 Dec</i> <i>2009</i> €000	<i>As at</i> <i>30 Jun</i> <i>2009</i> €000	<i>As at</i> <i>31 Dec</i> <i>2008</i> €000	<i>As at</i> <i>31 Dec</i> <i>2007</i> €000	<i>As at</i> <i>1 Jan</i> <i>2007</i> €000
<i>Charges for extracts, conjugates and antibodies from Allergopharma to IVD</i>	30	60	30	60	60	60
<i>Management fees charged by related parties</i>						
Merck (including Allergopharma)	57	107	51	94	108	108
<i>Appropriation of profit to related parties – ‘profit sweep’</i>						
Merck (including Allergopharma)	258	646	390	698	780	593

Merck controls IVD via Allergopharma.

Terms and conditions of transactions with related parties

The transactions with related parties are made at terms equivalent to those that prevail in arms length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 June 2010 (30 June 2009: £Nil) and year ended 31 December 2009, the Entity

has not recorded any impairment of receivables relating to amounts owed by related parties (2008: €Nil, 2007: €Nil, 2006: €nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Appropriation of profit to related parties is amounts paid to a subsidiary company of Merck, not included in IVD. The appropriation represents remittance of the entire profit of IVD and is referred to informally as the 'profit sweep'.

Refer to the basis of preparation in note 3 for details of related party transactions that incurred no charge.

Compensation of key management personnel of the Entity

	<i>6m ended</i>	<i>Year ended</i>	<i>6m ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 Jun</i>	<i>31 Dec</i>	<i>30 Jun</i>	<i>31 Dec</i>	<i>31 Dec</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Short-term employee benefits	149	283	146	258	268
Total compensation paid to key management personnel	149	283	146	258	268

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

13. Financial risk management objectives & policies

The Entity's principle financial instruments are trade receivables and trade payables which arise directly from its operations. The entity manages its funding and liquidity requirements through Allergopharma, refer to capital management policy below.

The principal financial risks to which the Entity is exposed are those relating to foreign currency, credit, and liquidity. These risks are managed in accordance with Management approved policies. Interest rate risk is not significant for the entity as it has no loans or borrowings and cash is only held on a short-term basis.

Treasury and Capital management

The cash flows of the business are managed by Allergopharma. Allergopharma pays all costs and receives all income on a timely basis on behalf of IVD. Profits are not retained by IVD, but are 'swept up' into Merck through Allergopharma, therefore there is an annual appropriation of profit to a subsidiary company of Merck equal to the total profit for the year. The cumulative net cash flows due to Allergopharma, and for the appropriation of profit, are included within the net investment in the balance sheet.

Working capital movements for the periods ended 30 June 2009 and 2010 and years ended 31 December 2007, 2008 and 2009 are as follows:

	<i>6m ended</i>	<i>Year ended</i>	<i>6m ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>30 Jun</i>	<i>31 Dec</i>	<i>30 Jun</i>	<i>31 Dec</i>	<i>31 Dec</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
(Increase)/decrease in trade and other receivables	(108)	50	(133)	(34)	—
Increase in inventories	(67)	(144)	(85)	(126)	(27)
Increase/(decrease) in trade and other payables	58	(74)	(6)	69	3

Foreign currency risk

The Entity buys goods and services in currencies other than in the functional currency of its operations. The bank accounts of Allergopharma through which the Entity's income and costs are settled, are Euro denominated bank accounts only. The Entity's non euro purchases, liabilities and cash flows can be affected by movements in exchange rates. It is the Entity's policy not to engage in any speculative transaction of any kind. At 30 June 2010 the Entity has not entered into any hedge transactions.

The following table demonstrates the sensitivity to a possible change in currency rates on the Entity's profit before tax through the impact of the Euro against the US dollar.

	<i>Decrease in Currency rate</i>	<i>Effect on profit before tax and equity €000</i>
<i>At 30 June 2010</i>		
Trade and other payables	5%	(5)
<i>At 31 December 2009</i>		
Trade and other payables	5%	(4)
<i>At 30 June 2009</i>		
Trade and other payables	5%	(3)
<i>At 31 December 2008</i>		
Trade and other payables	5%	(3)
<i>At 31 December 2007</i>		
Trade and other payables	5%	(3)
<i>As at 1 January 2007</i>		
Trade and other payables	5%	(3)

An increase in currency rate of 5 per cent. would have a similar opposite effect.

Credit risk

The Entity's credit risk is primarily attributable to its trade receivables. The Entity's customers are primarily individual general medical practices, and also some groups of general medical practices. In most cases the Entity 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. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets (primarily trade receivables). The Entity does not hold collateral as security.

Liquidity risk

The Entity's objective is to maintain a balance between continuity of funding and flexibility of working capital arrangements.

The table below summarises the maturity profile of the Entity's financial liabilities at 31 December 2009 based on the undiscounted cash flows of liabilities based on the earliest date on which the entity can be required to pay.

	<i>Less than 3 months €000</i>	<i>3 to 12 months €000</i>	<i>1 to 5 years €000</i>	<i>More than 5 years €000</i>	<i>Total €000</i>
<i>Trade and other payables</i>					
At 30 June 2010	89	249	—	—	338
At 31 December 2009	160	120	—	—	280
At 30 June 2009	101	247	—	—	348
At 31 December 2008	164	190	—	—	354
At 31 December 2007	166	119	—	—	285
At 1 January 2007	194	88	—	—	282

Interest rate risk

The Entity has no cash or borrowing and its trade receivables and payables are not interest bearing. Therefore, it is not significantly exposed to interest rate risk.

Fair values

The carrying amount for all categories of financial assets and liabilities disclosed on the balance sheet and in the related notes to the financial statements is equal to the fair value of such assets and liabilities as at 30 June 2010, 30 June 2009 and 31 December 2009, 31 December 2008 and 31 December 2007. The monetary value attributable to these financial assets and liabilities is the same value that has been disclosed in the related notes to the financial statements.

The valuation methods used to fair value the financial assets and liabilities have been disclosed in note 3 of the Notes to the Financial Statements under the heading of Financial Instruments.

PART 5

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF ENLARGED GROUP

	<i>Omega at 31 March 2010 £'000 (note 1)</i>	<i>IVD at 30 June 2010 £'000 (note 2)</i>	<i>Acquisition of IVD and proceeds of the issue £'000 (notes 3-5)</i>	<i>Unaudited pro forma net assets £'000 (note 6)</i>
ASSETS				
Non-current assets				
Intangibles	5,160	—	4,163	9,323
Property, plant and equipment	673	834	—	1,507
Deferred taxation	96	—	—	96
Derivative financial instruments	—	—	—	—
	<u>5,929</u>	<u>834</u>	<u>4,163</u>	<u>10,926</u>
Current assets				
Inventories	814	1,131	—	1,945
Trade and other receivables	1,682	245	—	1,927
Income tax receivable	46	—	—	46
Cash and cash equivalents	679	—	1,798	2,477
	<u>3,221</u>	<u>1,376</u>	<u>1,798</u>	<u>6,396</u>
Total assets	<u>9,150</u>	<u>2,210</u>	<u>5,961</u>	<u>17,321</u>
EQUITY AND LIABILITIES				
Equity				
Issued capital	5,931	753	5,961	12,645
Retained earnings	(281)	—	—	(281)
Total Equity	<u>5,650</u>	<u>753</u>	<u>5,961</u>	<u>12,364</u>
Liabilities				
Non-current liabilities				
Other financial liabilities	—	1,181	—	1,181
Long term borrowings	1,593	—	—	1,593
Deferred taxation	583	—	—	583
Derivative financial instruments	8	—	—	8
Total non-current liabilities	<u>2,184</u>	<u>1,181</u>	<u>—</u>	<u>3,365</u>
Current liabilities				
Short term borrowings	344	—	—	344
Other financial liabilities	—	—	—	—
Trade and other payables	863	277	—	1,140
Income tax payable	109	—	—	109
Total current liabilities	<u>1,316</u>	<u>277</u>	<u>—</u>	<u>1,593</u>
Total liabilities	<u>3,500</u>	<u>1,457</u>	<u>—</u>	<u>4,957</u>
Total equities and liabilities	<u>9,150</u>	<u>2,210</u>	<u>5,961</u>	<u>17,321</u>

Explanatory Notes

- The financial information on the Group has been extracted without material adjustment from the audited financial statements of the Group dated 31 March 2010.
- The financial information of IVD has been extracted without material adjustment from the unaudited financial statements of IVD dated 30 June 2010.
An exchange rate of €1.2206 = £1.00 as at 30 June 2010 has been used to translate from IVD's reporting functional currency in euros.
- The adjustment of £4.2 million to intangibles represents goodwill arising on the acquisition of IVD. The goodwill has been calculated on total consideration of £4.916 million (€6.0 million at €1.2206 = £1) less net assets acquired of IVD of £0.753 million.
- The adjustment of £1.8 million to cash and cash equivalents represents equity capital raised of £7.75 million less cash consideration for the acquisition of IVD of £4.916 million (€6.0 million at €1.2206 = £1) less estimated issue costs of £1.036 million.
- The adjustment of £6.0 million to issued capital represents the equity capital raised of £7.75 million less the £0.753 million of net assets acquired with IVD less the estimated issue costs of £1.036 million.
- The unaudited pro forma statement of net assets does not reflect any changes in the trading and net asset position of: Omega since 31 March 2010 being the date to which the latest audited statements were prepared; and IVD since 30 June 2010 being the date to which the latest unaudited statements were prepared.

PART 6

ADDITIONAL INFORMATION

1. Responsibility Statement

The Company, and the Directors (whose names are set out in paragraph 2.1 of this Part 6), accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies, for all the information contained in this document. To the best of the knowledge and belief of the Directors (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.

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 Officer</i>
Kieron Antony Harbinson	<i>Finance Director</i>
Michael Stephen Gurner	<i>Non-Executive Director</i>
Geoffrey James Gower	<i>Executive Director</i>

2.1.2 There are no changes to the Board proposed at completion of the Acquisition.

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 1985 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 1985 Act entitling it to do business and borrow. The name of the Company was changed to Omega Diagnostics Group PLC conform to certificate of incorporation on change of name dated 19 September 2006.

2.2.2 The Company is subject to and operates pursuant to the provisions of the Act.

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

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

2.2.5 The Company's telephone number is 01259 763030.

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

2.2.7 The ISIN of the Ordinary Shares following the First Admission and the Second Admission will be GB00B1VCP282.

2.3 Share capital of the Company

2.3.1 As at 31 March 2007, the share capital of the Company was £6,000,000 made up of 600,000,000 ordinary shares of 1p each, of which 123,245,615 were in issue.

2.3.2 On 30 August 2007, the Company undertook a capital reorganisation, dividing each 1p ordinary share into an ordinary share of 0.1p (an "Ordinary Share") and a deferred share of 0.9p. The deferred shares have no entitlement to any participation in the profits or assets of the Company. The ordinary shares of 0.1p each were subsequently consolidated on the basis of one Ordinary Share of 4p for each 40 ordinary shares of 0.1p in existence. In addition, the following resolutions were passed:

“THAT:

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 ordinary shares of 4p each in the capital of the Company, ranking *pari passu* in all respects with the existing ordinary shares of 4p each in the capital of the Company;
2. pursuant to section 80 of the Companies Act 1985 as amended (“the 1985 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 1985 Act) up to a maximum of the authorised and unissued share capital of the Company as increased by paragraph 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;
3. the Directors be and are generally empowered pursuant to section 95 of the 1985 Act to allot equity securities (within the meaning of section 94 of the 1985 Act) for cash pursuant to the authority conferred by paragraph 2 of this Resolution as if section 89(1) of the 1985 Act did not apply to such allotment provided that this power shall be limited to:
 - 3.1 the allotment of 7,333,333 ordinary shares of 4p each in connection with the 2007 Placing Agreement, as such term is defined in the circular of which this notice forms part;
 - 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
 - 3.3 the allotment of new ordinary shares of 4p each otherwise than pursuant to sub paragraphs 3.1 to 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.”

- 2.3.3 Between 31 August and 3 September 2007, the Company issued as fully paid 7,333,333 Ordinary Shares pursuant to a placing in connection with the 2007 Acquisition. In addition, on 12 August 2008 the Company allotted 757,213 Ordinary Shares of 4p each credited as fully paid in satisfaction of an earn-out in connection with the 2006 Acquisition, conditionally on their admission to trading on AIM. These earn out shares were admitted to trading on AIM on 18 August 2008.

- 2.3.4 On 3 September 2007 4,461,220 ordinary shares were issued credited as fully paid to ECS International Trustees (Gibraltar) Limited as part of the initial consideration in connection with the 2007 Acquisition.
- 2.3.5 On 28 September 2009 the Company issued as fully paid 5,000,000 Ordinary Shares pursuant to a placing in connection with the 2009 Acquisition.
- 2.3.6 From 1 October 2009, the authorised share capital provision in a company's Memorandum of Association is treated as part of the Company's Articles of Association pursuant to section 28 of the Companies Act 2006 and associated transitional provisions. On 19 August 2010, the Company passed a special resolution adopting new Articles of Association in substitution for its previous Articles, the effect of which was to remove the authorised share capital provision. However, shares in the Company can only be allotted if shareholders have given authority either in the Articles or by resolution. The Company seeks such authority by resolution in connection with the Placing at the General Meeting.
- 2.3.7 The issued share capital of the Company as it will be at 20 December 2010, on the First Admission and as it will be at 21 December 2010, on the Second Admission, are as follows:

<i>Issued and fully paid up share capital</i>					
<i>Current</i>		<i>Following the First Admission</i>		<i>Following the Second Admission</i>	
<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
825,316	20,632,907	1,025,314.28	25,632,857	3,408,650.28	85,216,257
	Ordinary Shares		Ordinary Shares		Ordinary Shares
1,109,210.54	123,245,615	1,109,210.54	123,245,615	1,109,210.54	123,245,615
	Deferred Shares		Deferred Shares		Deferred Shares

- 2.3.8 Save in connection with the Placing, the Company's EMI option scheme, unapproved option scheme and second unapproved option scheme, no share or loan capital of the Group is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.
- 2.3.9 There are no 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.
- 2.3.10 On completion of the First Admission, the issued ordinary share capital of the Company will be increased by 24 per cent. resulting in an immediate dilution of 20 per cent. for existing shareholders not subscribing for Ordinary Shares in the First Placing.
- 2.3.11 On completion of the Second Admission the issued ordinary share capital of the Company will be increased by a further 232 per cent. resulting in an immediate dilution of a further 70 per cent. from First Admission.
- 2.3.12 Save as disclosed in this document:
- 2.3.12.1 there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company; and
- 2.3.12.2 there are no shares in the Company not representing capital.
- 2.3.13 Neither the Company nor any of its subsidiaries hold directly or indirectly any shares in the Company.

2.4 *Articles of association*

- 2.4.1 The objects and purposes for which the Company is incorporated are not restricted by the Company's constitution. The operative provisions of the Company's constitution are contained in the Company's Articles of Association ("Articles").

2.4.2 Directors

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

- 2.4.2.1 Subject to the Act, the Articles and any directions given by special resolution, the business of the Company is managed by the directors who can exercise all powers of the Company.
- 2.4.2.2 Unless otherwise determined by ordinary resolution, the minimum number of Directors shall be two and there is no maximum number. One third of the Directors must retire by rotation each year at the annual general meeting and shall be eligible for re-appointment. The Directors may appoint a person to be a director either to fill a vacancy or as an additional director. A 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.
- 2.4.2.3 The Company may by ordinary resolution (a) appoint a person as a director either to fill a vacancy or as an additional director; and (b) remove a Director before expiry of his term of office.
- 2.4.2.4 The Articles contain the usual provisions relating to alternate directors.
- 2.4.2.5 The Directors may delegate any of their powers to (a) any managing director or any Director holding any other executive office; and/or (b) to any committee consisting of one or more Directors.
- 2.4.2.6 The office of a Director shall be vacated if he (a) ceases to be a director under the Act or the Articles or he becomes prohibited by law from being a director; (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; (c) is physically or mentally incapable of acting as a director and may remain so for more than 3 months, or a court makes an order preventing him from exercising any powers or rights on the grounds of his mental health; (d) resigns his office by notice to the Company; or (e) is absent for more than 6 consecutive months without permission of the Directors from meetings of Directors held during that period and the Directors resolve that his office be vacated.
- 2.4.2.7 The Directors are 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 and his family members or any person who is or was dependent on him.
- 2.4.2.8 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. The quorum for a Directors' meeting may be fixed by the Directors and unless so fixed shall be two (where the number of Directors is two or more). Meetings can be held by telephone or similar communicating equipment provided certain conditions are met.
- 2.4.2.9 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.
- 2.4.2.10 A resolution in writing signed by all the Directors entitled to receive notice of a Directors' meeting shall be as valid and effectual as if it had been passed at a Directors' meeting duly convened and held.
- 2.4.2.11 The Articles give the board the power to authorise directors' situational conflicts pursuant to section 175 of the Act where the relevant situation arose on or after 1 October 2008. In accordance with the Act, authorisation will only be effective if (a) any requirement as to quorum at the meeting at which the matter is

considered is met without counting the Director in question or any other interested Director; and (b) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The board can make any such authorisation subject to limits or conditions and can vary or terminate it at any time.

A Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter, or from any office, employment or position, which has been approved by the board pursuant to this provision of the Articles.

- 2.4.2.12 Provided the Director has declared his interest pursuant to sections 177 or 182 of the Act, (a) a contract entered into by or on behalf of the Company in which any Director is in any way interested shall not be liable to be avoided; and (b) any Director so interested is not liable to account to the Company for any benefit resulting from the contract, by reason of the director holding that office or of the fiduciary relationship established by his holding that office.
- 2.4.2.13 Provided the Director has declared his interest pursuant to sections 177 or 182 of the Act, he may be a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the Company may be interested. He shall not be liable to account to the Company for any benefit received by him as a result.
- 2.4.2.14 Provided the Director has declared his interest pursuant to sections 177 or 182 of the Act, he may act by himself or his firm in a professional capacity for the Company (except as auditor) and be entitled to remuneration for professional services as if he were not a director.
- 2.4.2.15 A Director shall not vote (or be counted in the quorum at a meeting) in relation to any board resolution relating to any contract or arrangement or other proposal in which he has an interest which (together with any interest of any connected person of his (as defined in the Act)) is to his knowledge a material interest or which may reasonably be regarded as likely to give rise to a conflict of interest. There are limited exceptions to this prohibition where the subject matter of the resolution concerns:-
 - 2.4.2.15.1 any contract in which the Director is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
 - 2.4.2.15.2 the giving of any guarantee, security or indemnity in respect of:-
 - (a) money lend or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or
 - (b) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;
 - 2.4.2.15.3 any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub underwriter;

- 2.4.2.15.4 any contract concerning any other company in which he and any connected persons do not to his knowledge hold an interest in shares (within the meaning of Part 22 of the Act) representing one per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company;
 - 2.4.2.15.5 any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates;
 - 2.4.2.15.6 the purchase or maintenance of insurance for the benefit of the Directors or for the benefit of persons including the Directors; and
 - 2.4.2.15.7 any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them or doing anything to enable such Directors incurring such expenditure.
- 2.4.2.16 Subject to the provisions of the Act, every Director shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him in the execution and/or discharge of his duties and/or exercise of his powers and/or otherwise in relation to or in connection with his duties powers or office including any liability incurred by him in defending any proceedings, whether civil or criminal which relates to anything done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.
- 2.4.3 Rights, preferences and restrictions attaching to each class of the existing shares
- 2.4.3.1 The share capital of the Company is divided into deferred shares of 0.9 pence each and ordinary shares of 4 pence each.
 - 2.4.3.2 Rights attaching to deferred shares
The holders of deferred shares have a first entitlement to a dividend of 0.000001 pence per share but thereafter are not entitled to any participation in the profits or assets of the Company. Holders of deferred shares have no right to receive notice of, or attend and vote at, any general meeting of the Company. The holders of deferred shares have no other rights whatsoever.
 - 2.4.3.3 Rights attaching to ordinary shares
The rights attaching to ordinary shares are all rights to dividend, voting, return on capital and otherwise with the exception of the rights attaching to the deferred shares. See paragraphs 2.4.3.4, 2.5 and 2.6.
 - 2.4.3.4 Voting rights attaching to ordinary shares
 - (a) All holders of ordinary shares have the same voting rights.
 - (b) Subject to any rights or restrictions attached to any shares, on a vote on a resolution on a show of hands (i) every member who (being an individual) is present in person shall have one vote; (ii) every proxy present who has been duly appointed by one or more members entitled to vote on the resolution shall have one vote (subject to paragraph (c) below); (iii) every member who (being a corporation) is present by a duly authorised corporate representative shall have one

vote and if such member appoints more than one corporate representative, each such representative shall have the same voting rights as the corporation would be entitled to.

- (c) A proxy has one vote for and one vote against the resolution if he has been duly appointed by more than one member entitled to vote on the resolution and he has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it. Where a proxy has been duly appointed by more than one member entitled to vote on the resolution and has received concrete instructions to vote in the same way from one or more of those members and been given a discretion as to how he votes by one or more other of those members, he may, if he chooses, cast a second vote the other way under the discretionary authority.
- (d) Unless the Directors otherwise determine, no member shall be entitled to vote at a general meeting in respect of any share held by him unless all monies presently payable by him in respect of that share have been paid.
- (e) If a member (or any person appearing to be interested in any shares held by a member) is in default of a notice served under section 793 of the Act (see paragraph 2.4.7), that member shall not be entitled to attend or vote at a general meeting of the Company in respect of the shares held by him unless the Directors otherwise determine. If that member holds at least 0.25 per cent. of any class of shares then, in addition, he shall not be entitled to exercise any other right conferred by membership in relation to meetings of the Company, to receive any distribution or dividend in respect of the shares held by him, or to transfer his shares, unless the Directors otherwise determine.

These restrictions apply until the default is remedied or the shares are registered in the name of a purchaser or offeror pursuant to an arm's length transfer. They do not affect the right of the shareholder or the beneficial owner of shares to sell the shares to a bona fide unconnected third party by way of an arm's length transfer. An arm's length transfer is a transfer pursuant to (a) a sale through a recognised investment exchange (as defined in FSMA), on AIM, or on any stock exchange outside the UK on which the shares are normally traded; or (b) a take-over offer for the Company.
- (f) There is no limitation in the Articles on the rights of non-UK shareholders to hold or exercise voting rights attaching to the ordinary shares. However, no shareholder is entitled to receive hard copy 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.

2.4.4 Variation of rights of shareholders

If a company's share capital is divided into different classes of shares, the Act provides that the rights attached to any class may only be varied (a) in accordance with the company's articles of association; or (b) (in the absence of any such provision) with the written consent of the holders of at least three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of that class. Any amendment of a provision in a company's articles for the variation of the rights attached to a class of shares, or the insertion of any such provision into the articles, is itself to be treated as a variation of those rights.

The Articles provide that, unless otherwise provided by the rights attached to any 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 in respect of capital or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares, but shall not otherwise be deemed to be varied by the creation or issue of further shares.

2.4.5 Meetings

2.4.5.1 The Directors may call general meetings and on the requisition of members pursuant to the provisions of the Act shall forthwith proceed to convene a general meeting in accordance with the Act.

2.4.5.2 An annual general meeting must be called by at least 21 clear days' notice. All other general meetings must be called by at least 14 clear days' notice. A general meeting may be called by shorter notice if it is so agreed:

- (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- (b) in the case of any other general meeting, by a majority in number of the members entitled to attend and vote at the meeting being a majority holding not less than 95 per cent. in nominal value of the shares giving that right.

2.4.5.3 The quorum for a general meeting is two, unless the Company has only one member in which case it is one.

2.4.6 Change of control

There are no provisions in the Articles that would have an effect of delaying, deferring or preventing a change in control of the issuer.

2.4.7 Disclosure of shareholder ownership

The Articles incorporate section 793 of the Act. Section 793 allows a company to issue a "section 793 notice" to any person whom it knows, or has reasonable cause to believe, to be interested in its shares or to have been so interested at any time in the preceding three years. The notice may require the person to confirm that fact or to state whether or not the person does or did have such an interest in the company's shares and, if that person holds or has held such an interest, to provide certain specified information.

The Articles restrict a member's rights if notice has been served under section 793 of the Act and the notice has not been complied with within the period stipulated in the notice. That period is 14 days if the member holds at least 0.25 per cent. of any class of shares, and 28 days if he holds less than 0.25 per cent. The restrictions apply until the default is remedied or the shares are registered in the name of a purchaser or offeror pursuant to an arm's length transfer. See paragraph 2.4.3.4 (e).

2.5 *Dividend rights*

2.5.1 The holders of deferred shares have a first entitlement to a dividend of 0.000001 pence per share but thereafter are not entitled to any participation in the profits or assets of the Company. The holders of ordinary shares have all rights to dividend with the exception of the rights attaching to the deferred shares.

2.5.2 The Company may by ordinary resolution declare dividends in accordance with the respective rights of members. No dividend shall exceed the amount recommended by the Directors. The payment of dividends is subject to the Act which provides that dividends can only be paid if there are sufficient profits of the Company available for distribution as defined in the Act.

- 2.5.3 The Directors may pay interim dividends if in their opinion the available profits of the Company justify such payments. If the share capital is divided into different classes, the Directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend. However, no interim dividend shall be paid on shares carrying deferred or non-preferred rights if at the time of payment any preferential dividend is in arrear.
- 2.5.4 The Directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 2.5.5 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. Subject to that, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. However, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.
- 2.5.6 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.
- 2.5.7 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.
- 2.5.8 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.
- 2.5.9 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.
- 2.5.10 Dividends may be paid by cheque sent by post to the registered address of the person entitled. There are no dividend restrictions or special procedures for non-resident holders.
- 2.5.11 There is no fixed date on which an entitlement to a dividend arises. All dividends are non cumulative.

2.6 ***Other rights***

- 2.6.1 The Articles do not contain specific pre-emption rights in offers for subscription of securities of the same class. Statutory pre-emption rights in accordance with the provisions of the Act apply (unless disapplied in accordance with the Act).
- 2.6.2 Rights to share in any surplus in the event of liquidation
If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company. He 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.
- 2.6.3 Redeemable shares
None of the shares in the capital of the Company are redeemable shares. Subject to the provisions of the Act, redeemable shares may be issued and the Directors may determine the terms, conditions and manner of redemption of any such shares.
- 2.6.4 Restrictions on transferability of shares
 - 2.6.4.1 The Directors may in their absolute discretion refuse to register the transfer of a share which is not fully paid or on which the Company has a lien.
 - 2.6.4.2 The Directors may also decline to recognise a transfer of shares unless it is:
 - (a) lodged duly stamped at the registered office or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to

which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (b) in respect of only one class of share; and (c) in favour of not more than four transferees.

Paragraph (a) does not apply 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 FSMA), unless and to the extent that certificates must by law have been issued in respect of the shares in question.

- 2.6.4.3 If the Directors refuse to register a transfer of a share they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal together with their reasons for the refusal.
- 2.6.4.4 The Articles do not contain any pre-emption rights relating to transfers of shares.
- 2.6.4.5 If a member holding at least 0.25 per cent. of any class of shares is in default of a notice served under section 793 of the Act, that member is not entitled to transfer any shares held by him (whether or not the subject of the section 793 notice). These restrictions do not affect the right of the shareholder or the beneficial owner of those shares to sell those shares to a *bona fide* unconnected third party by way of an arm's length transfer. An arm's length transfer is a transfer pursuant to (a) a sale through a recognised investment exchange (as defined in FSMA), on AIM or on any stock exchange outside the UK on which the shares are normally traded; or (b) a take-over offer for the Company.

2.7 *Directors and other interests*

- 2.7.1 As at 16 November 2010 (the latest practicable business day prior to the date of this document), and immediately following the Placing and the Acquisition, insofar as known to the Company, the interest of the Directors and their immediate families and those of any connected person (within the meaning of the provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company together with any options in respect of such capital are as follows:

As at 16 November 2010

<i>Name</i>	<i>Number of issued Ordinary Shares prior to the Placing and Acquisition</i>	<i>Percentage of issued Ordinary Shares prior to the Placing and Acquisition</i>	<i>Number of Deferred Shares prior to the Placing and Acquisition</i>	<i>Percentage of Deferred Shares prior to the Placing and Acquisition</i>
David Evans	110,000	0.53%	0	0.00%
Andrew Shepherd	1,319,830	6.40%	32,102,755	26.05%
Kieron Harbinson	58,317	0.28%	1,555,355	1.26%
Michael Gurner	121,671	0.59%	3,660,866	2.98%
Geoff Gower	0	0.00%	0	0.00%

Immediately following the First Admission

<i>Name</i>	<i>Number of issued Ordinary Shares following the First Admission</i>	<i>Percentage of issued Ordinary Shares following the First Admission</i>	<i>Number of Deferred Shares following the First Admission</i>	<i>Percentage of Deferred Shares following the First Admission</i>
David Evans	110,000	0.43%	0	0.00%
Andrew Shepherd	1,319,830	5.15%	32,102,755	26.05%
Kieron Harbinson	58,317	0.23%	1,555,355	1.26%
Michael Gurner	121,671	0.47%	3,660,866	2.98%
Geoff Gower	0	0%	0	0.00%

Immediately following the Placing the Second Admission and the Acquisition

<i>Name</i>	<i>Number of Ordinary Shares issued following Second Admission and Completion of the Acquisition</i>	<i>Percentage of issued Ordinary Shares following Second Admission and Completion of the Acquisition</i>	<i>Number of Deferred Shares following Second Admission and Completion of the Acquisition</i>	<i>Percentage of Deferred Shares following Second Admission and Completion of the Acquisition</i>
David Evans	2,870,134	3.37%	0	0%
Andrew Shepherd	1,955,530	2.29%	32,102,755	26.05%
Kieron Harbinson	204,150	0.24%	1,555,355	1.26%
Michael Gurner	246,671	0.29%	3,660,866	2.98%
Geoff Gower	500,000	0.59%	0	0%

- 2.7.2 In addition to the holdings disclosed at paragraph 2.7.1 above and as set out below, the Directors are not aware of any person who, directly or indirectly had an interest in 3 per cent. or more of the voting rights of the Company which is notifiable to the Company under the Disclosure and Transparency Rules as at the date of the publication of this document and immediately following completion of the Placing and Second Admission (assuming full subscription under the Placing):

<i>Name</i>	<i>As at the date of this document</i>		<i>Following the First Admission</i>		<i>Following the Second Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Brewin Dolphin Securities	3,278,949	15.89%	3,278,949	12.79%	5,961,949	7.00%
Octopus Investments	3,700,220	17.93%	3,700,220	14.44%	11,196,870	13.14%
Williams de Broe	2,650,867	12.85%	2,650,867	10.34%	7,233,867	8.49%
Legal & General						
Investment Management	2,050,000	9.94%	2,050,000	8.00%	15,300,000	17.95%
Bluehone Aim VCT2 plc	1,000,000	4.85%	1,000,000	4.71%	1,000,000	1.17%
Matrix Income Funds	0	0%	0	0%	8,333,250	9.78%
JM Finn	0	0%	0	0%	3,500,000	4.11%
Hargreave Hale	670,166	3.25%	1,503,466	5.87%	2,753,466	3.23%
Unicorn Asset Management	0	0%	4,166,650	16.26%	4,166,650	4.89%

- 2.7.3 Save as disclosed in paragraph 2.7.1 and 2.7.2 above, none of the Directors are aware of any interest which will immediately following Second 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.
- 2.7.4 As at 16 November 2010 (the latest practicable business day prior to the date of this document) the Directors held interests in options over the share capital of the Company as follows:

<i>Name</i>	<i>Shares in respect of which options granted</i>	<i>Option price</i>	<i>Date of grant</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>
David Evans	390,822	19p	10/12/2008	10/12/2009	10/12/2018
Andrew Shepherd	703,480	19p	10/12/2008	10/12/2009	10/12/2018
Kieron Harbinson	468,987	19p	10/12/2008	10/12/2009	10/12/2018
Geoff Gower	20,000	19p	5/5/2009	5/5/2010	5/5/2019

David Evans was issued with an option under the Unapproved Option Scheme and Andrew Shepherd, Kieron Harbinson and Geoff Gower were issued with options under the Company's EMI Option Scheme.

- 2.7.5 Save as disclosed in this document, no 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.
- 2.7.6 Save as disclosed in this paragraph none of the Directors are aware of any interest held by a connected adviser of the Company.
- 2.7.7 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group or the Enlarged Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

2.8 ***Summary of Existing Share Option Schemes***

Omega Diagnostics operates a number of equity-settled share-based payment plans.

2.8.1 Introduction

The Company has established and operates an EMI Option Scheme adopted on 30 August 2007, an Unapproved Option Scheme adopted on 10 December 2008 and a Second Unapproved Option Scheme adopted on 21 December 2009. The purpose of the schemes is to seek to recruit and retain employees and directors of the Enlarged Group and in certain circumstances, to be able to deal with the provision of services by third parties.

The schemes are discretionary arrangements and are operated and administered by the board of directors of the Company.

An EMI Scheme is a form of UK tax favoured share option scheme which must comply with the rules and regulations from HMRC.

2.8.2 Eligibility

All employees and directors (but not non-executive directors) of the Enlarged Group are generally eligible to have options granted to them under the EMI Option Scheme. In order to qualify for favourable UK tax treatment, 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 working time. Directors who do not meet the minimum working time requirement are eligible to have options granted to them under the Unapproved Option Scheme. Third parties who are neither employees or directors are eligible to have options granted to them under the Second Unapproved Option Scheme.

2.8.3 Grant of Options

Options over the Company's shares under any scheme 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 any scheme after the tenth anniversary of the adoption of the respective scheme rules.

2.8.4 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.

2.8.5 Exercise Price

The price payable by an option holder on the exercise of an option granted under any 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.

2.8.6 Exercise

Options which have not lapsed will become exercisable on either the first anniversary (in the case of options granted under the EMI Scheme or the Unapproved Option Scheme) or the third anniversary (in the case of options granted under the Second Unapproved Option Scheme) 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). Options may be exercised in whole or in part on a number of occasions, subject to certain conditions.

If an optionholder dies or ceases to be an employee (in the case of the EMI Scheme) or a director (in the case of the Unapproved Option Scheme and Second Unapproved Option Scheme) of the Enlarged Group as a result of injury, disability, incapacity, retirement or redundancy then the employee's (or director's as the case may be) 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.

2.8.7 Individual limits

Share options with a market value of up to £100,000 may be granted under the EMI Option Scheme 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 EMI Option Scheme in order for the scheme to qualify as an EMI Scheme.

2.8.8 The number of shares in respect of which options have been granted by the Company as at 16 November 2010 (the latest practicable business day prior to the date of this document), including options granted to Directors set out in 2.7.4 above, is 1,798,289 with a weighted average exercise price of 19p.

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

2.9.1 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 served as non-executive director with a fee of £15,000 per annum terminable on 1 month's notice by either party. From 1 January 2009, his fee was increased to £20,000 per annum.

2.9.2 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. From 1 April 2008 his salary was increased to £125,000 per annum and from 1 April 2009, increased to £131,250 per annum.

- 2.9.3 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. From 1 April 2008 his salary was increased to £90,000 per annum and from 1 April 2009, increased to £94,500 per annum.
- 2.9.4 On 18 September 2006 D E Evans was appointed as Non-Executive Chairman of the Company. He received no remuneration until 31 March 2008 and thereafter has been entitled to receive a fee of £25,000 per annum. This arrangement is terminable on 1 month's notice by either party.
- 2.9.5 On 22 December 2009 G Gower was appointed as an executive director of the Company at a salary of £80,000 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 3 months' notice given by either party.
- 2.9.6 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 2.9.1 to 2.9.5 above.
- 2.9.7 Save as disclosed in paragraphs 2.9.1 to 2.9.5 above, there are no service contracts, existing or proposed, between any Director and the Company and no such contract provides for any benefits or termination or has been amended within six months prior to the date of this document.
- 2.9.8 The aggregate remuneration and benefits in kind paid by the Company to its directors in respect of the 12 month period ended 31 March 2010 was £492,745 including share-based payment charges of £153,002.

2.10 *Additional information on the Board*

- 2.10.1 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

Epistem Holdings PLC
Immunodiagnostic
Systems Holdings plc
Scancell Holdings plc
BGenuine Tech KK Marine Biotech Limited
Momentum Bioscience Limited
Myconostica Limited
Onyx Research Chemicals Limited
Scancell Limited
EKF Diagnostics Holdings PLC
Horizon Discovery Limited

Directorships in the last 5 years

BBI Holdings Public Limited
Company
Chromogenex plc
CY Realisations Limited
Electro-medical Limited
Epistem Limited
Eurodiagnostica BV
Haptogen Limited
Immunodiagnostic Systems Ltd
Microtest Matrices Limited
Nestech Limited
Omega Diagnostics Limited
PDG 2 Ltd
Physiomics plc
Platform Diagnostics Limited
Storyland Group plc
Storyland Limited
Vindon Healthcare plc

Directors

David Eric Evans

Directorships in the last 5 years

Chromogenex Limited
DxS EBT Company Limited
Quotient Diagnostics Limited
Qiagen Manchester Limited
Scipac Limited

Andrew William Shepherd

Current directorships

Cardiopath Limited
Co-Tek (South West) Limited
Omega Diagnostics Limited
Genesis Diagnostics Limited
Cambridge Nutritional Sciences Limited
Omega Diagnostics GmbH

Directorships in the last 5 years

Parker & Joules Limited
Omega Resources Limited

Kieron Antony Harbinson

Current directorships

Cardiopath Limited
Co-Tek (South West) Limited
Omega Diagnostics Limited
Genesis Diagnostics Limited
Omega Diagnostics GmbH
Cambridge Nutritional Sciences Limited

Directorships in the last 5 years

None

Michael Stephen Gurner

Current directorships

Bealaw (692) Limited
Bealaw (693) Limited
Holdmer Associates Limited
Lister & Co. PLC

Directorships in the last 5 years

Alberdale Catalyst Limited
James Longley (Holdings) Limited
James Longley & Co. Limited

Geoffrey James Gower

Current directorships

Genesis Diagnostics Limited
Cambridge Nutritional Sciences Limited

Directorships in the last 5 years

Camsensia Limited
IQ Bio Limited
Oxoid (Ely) Limited
Doublecape Limited
Doublecape Holding Limited

2.10.1.1 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.

2.10.1.2 Mr Gurner 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.

2.10.1.3 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.

2.10.1.4 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.

2.11 Save as disclosed above none of the Directors has:

- 2.11.1 any unspent convictions in relation to indictable offences;
- 2.11.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 2.11.3 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;
- 2.11.4 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;
- 2.11.5 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;
- 2.11.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 2.11.7 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.

2.12 *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:

- 2.12.1 An agreement (the “Placing Agreement”) dated 16 November, between (1) the Company, (2) the Directors and (3) Cenkos pursuant to which Cenkos has agreed in respect of 4,999,950 of the Placing Shares conditional upon, *inter alia*, the passing of the Resolutions at the GM, the Placing Agreement not being terminated and First Admission occurring on 20 December 2010 or such later date as may be agreed (being in any event no later than 7 January 2011). Cenkos has also agreed in respect of the Second Admission Shares conditional upon, *inter alia*, the passing of the Resolutions at the GM, the Acquisition Agreement not being terminated, the Placing Agreement not being terminated and Second Admission occurring on 21 December 2010 or such later date as may be agreed (being in any event no later than 7 January 2011) to use its reasonable endeavours to procure subscribers for the Second Admission Shares to be issued by the Company at the Placing Price at Second Admission.

The Placing Agreement provides for payment by the Company to Cenkos of a corporate finance fee of £160,000 (payable as to £80,000 on First Admission and £80,000 on Second Admission) and a commission of 4.0 per cent. of the aggregate value of the Placing Shares at the Placing Price.

The Placing Agreement contains warranties and indemnities from the Company and warranties only from the Directors in favour of Cenkos.

- 2.12.2 An agreement (the “2009 Placing Agreement”) dated 24 September 2009 between (1) the Company, (2) the Directors (other than Geoff Gower who was not a director at the time) and (3) Cenkos pursuant to which Cenkos agreed to use its reasonable endeavours to procure subscribers for a minimum of 3,000,000 and a maximum of 5,000,000 Ordinary Shares at the 2009 Placing Price.

The 2009 Placing Agreement provided for the payment by the Company to Cenkos of a corporate finance fee of £25,000 and a commission of 7.5 per cent. of the aggregate value at the 2009 Placing Price of the 2009 Placing Shares.

The 2009 Placing Agreement contained warranties and indemnities from the Company and the Directors (other than Geoff Gower) in favour of Cenkos.

- 2.12.3 Nominated Adviser and Broker Agreement dated 20 March 2009 between (1) the Company and (2) Cenkos pursuant to which the Company agreed to appoint Cenkos to act as nominated adviser and sole broker to the Company. Under this agreement, the Company has agreed to pay an annual fee to Cenkos of £25,000 (exclusive of VAT) in return for nominated adviser and broker services rendered. The agreement contains certain indemnities by the Company in favour of Cenkos. The agreement is terminable by either party on 3 months’ notice.

- 2.12.4 An agreement (the “Acquisition Agreement”) being an agreement for the sale and purchase of the IVD Business between Allergopharma, Omega Diagnostics GmbH (“Omega Diagnostics GmbH”) and Omega Diagnostics Group plc dated 16 November 2010. Pursuant to the Acquisition Agreement, Omega Diagnostics GmbH has agreed to purchase the IVD Business from Allergopharma subject to satisfaction of a number of conditions which are listed below.

The acquisition of the IVD Business is conditional upon the following:-

- (1) either (i) a priority notice being registered in the land register of the Real Estate (as defined in the Acquisition Agreement, and being the premises occupied by the IVD Business) in favour of Omega Diagnostics GmbH with first rank in sections II and III or (ii) the acting notary applying for registration of the aforementioned priority notice and confirming that he is not aware of any circumstances that would prevent the registration of the priority notice;

- (2) passing of the Resolutions at the General Meeting of Omega Diagnostics Group plc;
- (3) less than a specified number of the employees listed in an annex to the Acquisition Agreement and less than a specified number of the key employees of the IVD Business having objected to the transfer of their employment relationships to Omega Diagnostics GmbH; and
- (4) Second Admission.

The total consideration payable by Omega Diagnostics GmbH pursuant to the Acquisition Agreement (the “Purchase Price”) is €6.0 million, subject to a downwards-only adjustment for variations in the book value of the IVD Business’ stock less (i) the amount of all down payments received by Allergopharma from customers under assumed contracts for products that have not, as at Completion, been delivered; and (ii) the amount of certain bonus payments accrued under an assumed contract which are attributable to the period prior to completion of the Acquisition.

The Acquisition Agreement contains warranties in favour of Omega Diagnostics GmbH given by Allergopharma. The time limit for bringing any claims in terms of the warranties given (other than the taxation-related warranties) expires 18 months after completion of the Acquisition. The time limit for any claims in respect of a matter covered by the taxation warranties expires 6 months after the relevant tax assessment has become unappealable.

The aggregate liability of Allergopharma under the Agreement is capped at 20 per cent. of the Purchase Price, with the exception of claims relating to the Allergopharma’s ownership of the sold assets and/or Allergopharma’s non-disclosure of any encumbrances affecting its ownership of the sold assets, which are capped at the Purchase Price.

Under German law, the transfer of the IVD Business to Omega Diagnostics GmbH will result in the automatic transfer of all employment relationships with employees of the IVD Business to Omega Diagnostics GmbH, provided that the relevant employees do not exercise their legal rights to object to the transfer.

Under the Acquisition Agreement, Omega Diagnostics GmbH has agreed to bear 50 per cent. of any costs which Allergopharma incurs (i) if an employee objects to the transfer of its employment to Omega Diagnostics GmbH and gains continued employment with Allergopharma due to an incorrectness in the information letter (issued by Allergopharma to employees of the IVD Business informing them of the Acquisition) or successfully claims damages from Allergopharma, unless Omega Diagnostics GmbH can prove that the information provided by Omega Diagnostics GmbH for the employee information letter was complete and correct and (ii) for any ongoing employment and in connection with the termination of employees who have objected to the transfer of their employment relationship to Omega Diagnostics GmbH due to the Acquisition, provided that Allergopharma has terminated the contract of employment, if legally possible, after the employee’s objection to the transfer. In each case, Omega Diagnostics GmbH’s liability is limited to €150,000.

The Acquisition Agreement provides that the financial burden for any pensions liabilities in connection with the employees of the IVD Business, which have accrued prior to Completion, shall be borne by Allergopharma. Allergopharma has undertaken, prior to Completion, to enter into a pension transfer agreement under which a pension fund will assume all pension obligations accrued prior to Completion. In order to fund these pension obligations, Allergopharma will make a payment to the pension fund at the latest five business days after Completion. Such lump sum payment shall suffice to cover the pension obligations accrued until Completion. The pension fund will in the future, be responsible for administering and paying out the pension obligations accrued prior to Completion. Omega Diagnostics GmbH will have no obligations in this respect, subject only to (i) a possible shortfall in the pension fund’s ability to achieve the agreed minimum interest rate and (ii) a actual higher life expectancy of all employees covered by the pension fund than the current assumption. While it is difficult to quantify such risk, the Directors’ have been informed that the risk is non-material.

Allergopharma has entered into an agreement with its works council under which Allergopharma guaranteed to the works council not to close down the IVD Business and not to terminate any employment relationships of the IVD Business for business reasons for a time period of 24 months as of Completion. Omega Diagnostics GmbH will be bound by this agreement as of Completion. In the Acquisition Agreement, Omega Diagnostics GmbH undertakes to Allergopharma not to close down or relocate the entire IVD Business for a time period of 24 months after Completion. Allergopharma undertakes to indemnify Omega Diagnostics GmbH against any costs if, after Completion, Omega Diagnostics GmbH wishes to terminate one or several employment agreements contract for business reasons and such termination is regarded invalid by a court due to the agreement with the works council.

Omega Diagnostics Group plc is a party to the Acquisition Agreement as a guarantor and is jointly and severally liable for all obligations of Omega Diagnostics GmbH under the Acquisition Agreement.

Allergopharma has given various undertakings to the Company in terms of the running of the IVD Business in the period prior to Completion.

In connection with the Acquisition Agreement, Omega Diagnostics GmbH will enter into a number of ancillary agreements, including the following:-

(i) Real Estate Sale and Purchase Agreement

A separate agreement required to effect the formal transfer of title in the Real Estate from Allergopharma to Omega Diagnostics GmbH as part of the Acquisition.

(ii) Lease Agreement

An agreement between Allergopharma and Omega Diagnostics GmbH for the lease back to Allergopharma of part of the Real Estate currently used by another division of Allergopharma. The Lease Agreement has an initial term expiring on 31 December 2011. Allergopharma has an option to extend the term twice for six months periods until 30 June 2012 and 31 December 2012, respectively. The monthly rent payable by Allergopharma to Omega Diagnostics GmbH is €2,400 exclusive of VAT at the rate applicable in Germany. In addition, a monthly sum of €1,000 exclusive of VAT is payable to Omega Diagnostics GmbH in respect of ancillary costs.

(iii) Transitional Services Agreement

An agreement between Allergopharma and Omega Diagnostics GmbH whereby Allergopharma will make available to Omega Diagnostics GmbH the following services: existing telephone system, existing central access control system, use of Allergopharma's canteen, time record services, IT-services, accounting services, services support with regard to the implementation of an ERP system, access to the premises of Allergopharma for performing cyanogen bromide activation, supply of compressed air, consulting services in variety of areas such as IT, quality and other management, deep freeze storage, making available of lab testing equipment, and courier services. The services are being provided against payment of a fee and for a time period individually fixed for each service.

(iv) Manufacturing and Supply Agreement

An agreement between Allergopharma and Omega Diagnostics GmbH for the supply by Omega Diagnostics GmbH to Allergopharma of certain allergen discs. The agreement has an initial term expiring on 30 June 2013, with an option for Allergopharma to extend the term by a further 3 years.

(v) Extract Supply Agreement

An agreement between Allergopharma and Omega Diagnostics GmbH for the supply by Allergopharma to Omega Diagnostics GmbH of certain allergen extracts and raw materials that are necessary for the operation of the IVD Business. The term of the Extract Supply Agreement runs until 31 December 2015.

(vi) Conjugates Agreement

An agreement between Allergopharma and Omega Diagnostics GmbH for the supply of certain conjugates that are necessary for the operation of the IVD Business. The agreement runs until 31 December 2015.

(vii) Antibody Agreement

An agreement between Allergopharma and Omega Diagnostics GmbH for the supply of a certain antibody that is necessary for the operation of the IVD Business. The agreement runs until 31 December 2015.

- 2.12.5 An agreement (“The 2009 Acquisition Agreement”), being an agreement for the sale and purchase of the entire issued share capital of Co-Tek (South-West) Limited amongst Kenneth Ronald Elliott, Janet Gloria Elliott and the Company dated 28 September 2009. Pursuant to the 2009 Acquisition Agreement the Company agreed to purchase the entire issued share capital of Co-Tek (South-West) Limited subject to satisfaction of a number of conditions which were satisfied on or before 28 September 2009.

The total consideration payable by the Company pursuant to the 2009 Acquisition Agreement was £400,000, payable in cash at completion.

The 2009 Acquisition Agreement contains warranties in favour of the Company given by Kenneth Ronald Elliott and Janet Gloria Elliott. Those individuals also granted an indemnity in favour of the Company whereby they agreed to pay to the Company the amount of any tax liability incurred in respect of Co-Tek (South-West) Limited which might arise after completion of the 2009 Acquisition but is attributable to the period prior to completion.

The time limit for bringing any claims in terms of the warranties given (other than tax warranties) expires on the third anniversary of the date of the 2009 Acquisition Agreement (being 28 September 2012) and the time limit for any claims pursuant to the tax warranties or the tax indemnity expires on the seventh anniversary of completion of the date of the 2009 Acquisition Agreement (being 28 September 2016). The maximum aggregate liability of Kenneth Ronald Elliott and Janet Gloria Elliott under the warranties and the tax covenant is £400,000.

- 2.12.6 An agreement (“The 2007 Acquisition Agreement”) being an agreement for the sale and purchase of the entire issued share capitals of Genesis Diagnostics Limited (“Genesis”) and Cambridge Nutritional Sciences Limited (“CNS”) between the then shareholders of Genesis and CNS and the Company dated 3 August 2007. Pursuant to the 2007 Acquisition Agreement, the Company agreed to purchase the entire issued share capital of Genesis and CNS subject to satisfaction of a number of conditions which were satisfied on or before 30 August 2007.

The total consideration payable by the Company pursuant to the 2007 Acquisition Agreement was up to £6,700,000. £3,200,000 was payable in cash at Completion; £1,400,000 of the consideration was payable at Completion by the issue of such number of consideration shares at the 2007 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 then issued share capital of the Company. An amount in cash equal to the difference between the value of the consideration shares in the 2007 Placing Price and £1,400,000 was to be payable one year after completion of the 2007 Acquisition and £1,100,000 was to 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 was subject to an earn-out calculation. This was to be an amount equal to 7 per cent. (excluding VAT) of the sales of specified Genesis products and CNS products in each of the three years ended 31 October 2007, 2008 and 2009: (i) which were invoiced during each such year and (ii) in respect of which payment had 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 was to be satisfied by the payment of cash. Payments of £38,010, £67,827 and £101,275 were made respectively in May 2008, March 2009 and March 2010 in full settlement of the earn out consideration.

The 2007 Acquisition Agreement contains warranties in favour of the Company given by Dr Michael Strachan Walker and Irene Crawford Walker (two of the former shareholders of Genesis and CNS). These individuals also granted tax indemnities in favour of the Company whereby they agreed to pay to the Company the amount of any tax liability incurred in respect of Genesis and/or CNS which might arise after completion of the 2007 Acquisition but is attributable to the period prior to completion.

The time limit for bringing any claims in terms of the warranties given (other than the tax warranties) expired on 28 November 2008. The time limit for bringing any claims pursuant to the tax warranties or the tax indemnity expires on the seventh anniversary of the date of the 2007 Acquisition Agreement (being 28 September 2014). The maximum aggregate liability of the warrantors under the warranties and the tax indemnities (in respect of both Genesis and CNS together) is £5,700,000.

Loan notes were issued by the Company as part of the consideration payable pursuant to the 2007 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. The loan notes were issued to Dr. Michael Walker and Irene Walker on 30 August 2007.

2.13 *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 and/or the Group's financial position or profitability.

2.14 *Group Structure*

The Company has four wholly owned operating subsidiaries in the UK:

- 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 Omega House, Hillfoots Business Village, Unit 5 Alva, Clackmannanshire FK12 5DQ;
- Genesis Diagnostics Limited was incorporated in England on 3 May 1994 with registered number 2924988. Its registered office is at One London Wall, London EC2Y 5AB;
- Cambridge Nutritional Sciences Limited was incorporated in England on 18 April 2001 with registered number 4201429. Its registered office is at One London Wall, London EC2Y 5AB; and
- Co-Tek (South-West) Limited was incorporated in England on 23 August 2002 with registered number 04518183. Its registered office is at One London Wall, London EC2Y 5AB.

The Company has a further wholly owned subsidiary called Omega Diagnostics GmbH. Omega Diagnostics GmbH is a German-registered limited liability company incorporated for the purposes of acquiring the IVD Business. Omega Diagnostics GmbH is registered in the commercial register of the local court of Hamburg with number HRB 114314. Its business address is until completion of the Acquisition at Wittelsbacherplatz 1, 80333 München, Germany.

The Company also has three wholly owned dormant subsidiary companies, Bealaw (692) Limited, Bealaw (693) Limited and Cardiopath Limited. 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 was incorporated in Scotland on 19 March 1999 with registered number SC194466 and has its registered office at 151 St Vincent Street, Glasgow G2 5NJ. Both Bealaw (692) Limited and Bealaw (693) Limited are directly owned by Omega Diagnostics. Cardiopath Limited is a wholly owned subsidiary of Omega Diagnostics Limited.

3. Further Information on IVD Business

Save as referred to in this document, there are no contracts which are to be assumed as part of the IVD Business, other than those in the ordinary course of business, that have been entered into within the two years preceding the date of this document, or under which there exists any obligation or entitlement, which is material in the context of the Enlarged Group.

4. Working Capital

The Directors 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 Second Admission.

5. Significant Change

- 5.1 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 March 2010, the date to which the latest audited accounts were prepared.
- 5.2 Save as disclosed in this document, there has been no significant change in the financial or trading position of IVD Business since 30 June 2010, the date to which the latest unaudited carve out financial information has been prepared.
- 5.3 Save as disclosed in this document, the 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 prospects for at least the current financial year.

6. 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 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 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.

6.1 *Taxation of chargeable gains*

For the purpose of UK tax on chargeable gains, the issue of 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.

The amount paid for the Ordinary Shares by the Shareholder will constitute the base cost of a Shareholder's holding. 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 Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

6.2 *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 Ordinary Shares.

The transfer or sale of 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. (rounded up to the nearest £5) of the consideration paid. However, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, SDRT will be payable, normally at the rate of one-half of one per cent. of the consideration paid.

6.3 *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 10 per cent., 32.5 per cent. or 42.5 per cent.

The effect will be that taxpayers who are otherwise liable to pay tax at the basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher and additional rate taxpayers will have an additional tax liability of 25 per cent. or 36.111 per cent., of the cash dividend. 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 42.5 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.

6.4 *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.

6.5 *VCT Legislation*

The Company has received provisional clearance from HMRC that the Company should be a qualifying company for the purposes of the VCT legislation. HMRC has provisionally assured the Company that the Ordinary Shares will be eligible shares for the purposes of section 285(3) of the Income Tax Act 2007 and that the Ordinary Shares held by VCTs will be "qualifying holdings" for the purposes of sections 286 – 313 of the Income Tax Act 2007.

The clearance obtained relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Ordinary Shares. The conditions for relief are complex and depend not only upon the qualifying status of the Company but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for VCT relief should consult their own tax advisers regarding this.

The Company cannot guarantee or undertake to conduct its business following Admission, as the case may be, in a way to ensure that the Company will continue to meet the requirements of sections 286 – 313 of the Income Tax Act 2007.

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

The tax legislation in respect of the VCTs is found in Part 6 of the Income Tax Act 2007 and sections 151A and 151B of the Taxation of Capital Gains Act 1992. In relation to the qualifying status of the Company, the Admission will be structured in the following way:

It is anticipated that immediately after Second Admission, the gross assets of the Company will not exceed £16 million. This will permit VCTs to invest using investing funds which were raised prior to 6 April 2006.

7. Other relevant laws and regulations

7.1 *Disclosure of interests in shares*

A shareholder in a public company incorporated in the UK whose shares are admitted to trading on AIM is required pursuant to rule 5 of the Disclosure and Transparency Rules to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds.

Pursuant to Part 22 of the Act, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.

7.2 *Takeovers*

As a public limited company incorporated and centrally managed and controlled in the UK, the Company is subject to the Takeover Code. Following the implementation of Part 28 of the Act the Panel has statutory powers to enforce the Takeover Code in respect of companies whose shares are admitted to trading on AIM.

7.3 *Mandatory bid*

Under Rule 9 of the Takeover Code when (i) a person acquires an interest in shares which (taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code; or (ii) a person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. and no more than 50 per cent. of the voting rights of a company subject to the Takeover Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentages of the shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to extend a general offer in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights not already held by them.

7.4 *Squeeze-out*

Under the Act, an offeror which makes a takeover offer for the Company has the right to buy out minority Shareholders where it has acquired (or unconditionally contracted to acquire) not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights in the Company. It would do so by sending a notice to the outstanding minority Shareholders telling them that it will compulsorily acquire their shares. Such notice must be sent

within three months of the last day on which the offer can be accepted. The notice must be made in the prescribed manner. The squeeze-out of the minority Shareholders can be completed at the end of six weeks from the date the notice has been given, following which the offeror can execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding minority Shareholders. The consideration offered to the outstanding minority Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

7.5 ***Sell-out***

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer for the Company, provided that at any time before the end of the period within which the offer can be accepted, the offeror has acquired (or unconditionally contracted to acquire) not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights in the Company. A minority Shareholder can exercise this right by a written communication to the offeror at any time until three months after the period within which the offer can be accepted or a later date specified in the notice given by the offeror. An offeror would be required to give the remaining Shareholders notice of their rights to be bought out within the one month from the end of the period in which the offer can be accepted. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

8. **General**

- 8.1 The gross proceeds of the Placing are £7.75 million. The costs and expenses of, and incidental to, the Acquisition, Placing and Admission are payable by the Company to the amount of approximately £1.05 million (excluding VAT) and include, *inter alia*, German real estate taxes, corporate finance fees, legal fees, accounting fees and commissions.
- 8.2 The Ordinary Shares of the Company that are in issue are currently admitted to trading on AIM.
- 8.3 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.
- 8.4 None of the Directors are aware of any exceptional factors which have influenced the Company's or the IVD Business's activities.
- 8.5 None of the Directors are aware of any patents or other intellectual property rights, licences, manufacturing processes or particular contracts which are or may be of fundamental importance to the Company's business other than the material contracts.
- 8.6 Save as disclosed above no person has directly or indirectly (excluding the Company's professional advisors as disclosed in this document) and trade suppliers in the twelve months preceding the application for admission received from the Company or entered into contractual arrangements (not otherwise disclosed in this document) to receive directly or indirectly from it on or after admission (excluding persons who are professional advisers otherwise 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 at the date of Admission or securities in the Company to such value.
- 8.7 None of the Directors are aware of any environmental issues that may affect the utilisation by the Company or the IVD Business of any of their tangible fixed assets respectively.
- 8.8 Ernst & Young LLP are auditors of the Company. Ernst & Young LLP is registered to carry out audit work by The Institute of Chartered Accountants in England and Wales.
- 8.9 Cenkos has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

- 8.10 The Company is and has not been aware of the existence of any takeover bid pursuant to the rules of the Takeover Code during its current and previous financial year, or any circumstances which might give rise to any takeover bid by third parties for the Ordinary Shares.
- 8.11 No significant new products and/or services have been introduced by the Company in the last year.
- 8.12 Significant new products and/or services that are expected to be introduced by the acquisition of the IVD Business are set out in paragraph 4 on page 14 of this document.
- 8.13 All information sourced from a third party and reproduced in this document has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the information reproduced in this document inaccurate or misleading. Such sources of information are Allergopharma, IDS and Medical Laboratory Observer Publication.
- 8.14 Save as disclosed in this document, the Company has no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- 8.15 Save as disclosed in this document, none of the Directors or any members of a Director's family (as defined in the AIM Rules for Companies) is interested in any related financial product (as defined in the AIM Rules for Companies) whose value in whole or in part is determined directly or indirectly by reference to the price of the Existing Ordinary Shares or the Placing Shares.
- 8.16 As far as the Directors are aware there are no arrangements relating to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 8.17 The Directors consider that the Group operates in one business segment – diagnostic testing kits. The revenue breakdown by geographic market for the 3 years ending March 2008, 2009 and 2010 is as follows:-

	2010 £	2009 £	2008 £
Revenues			
UK	861,249	534,157	381,778
Eurozone	1,953,229	1,952,073	1,026,038
Other Europe	211,271	197,065	143,676
North America	307,007	217,156	53,250
South/Central America	327,577	302,162	373,939
Asia and Far East	1,365,977	1,212,651	777,064
Africa and Middle East	1,172,432	1,023,049	735,835
	<u>6,198,742</u>	<u>5,438,313</u>	<u>3,491,580</u>

- 8.18 The Directors are not aware of any significant recent trends in production, sales and inventory and costs and selling prices since 31 March 2010, save as set out in paragraph 8 of Part 1 of this document. The Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year save as disclosed in 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 Brodies LLP, 15 Atholl Crescent, Edinburgh, Scotland, EH3 8HA, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

Dated: 17 November 2010

PART 7

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.
Allergic rhinitis, pollenosis or hay fever	an allergic inflammation of the nasal airways. It occurs when an allergen such as pollen or dust is inhaled by an individual with a sensitized immune system, and triggers antibody production.
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.
BRIC	Brazil, Russia, India and China.
Closed System	An immunoassay test instrument that is designed to only accept reagent tests from a single supplier.
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.
ELISA	Enzyme Linked Immuno Sorbent Assay, an alternative term for an immunoassay that utilises an enzyme as the signal component.
Fluorescence	An alternative Label to that used in EIA systems.

IgE	Immunoglobulin E, an antibody type produced as part of an allergic reaction.
IgG	Immunoglobulin G, an antibody type produced as part of an immune response.
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.
Open System	An immunoassay test instrument that is designed to accept reagent tests from multiple suppliers.
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.
Specificity	In this context ability of a measurement procedure to determine solely the measurable quantity it purports to measure.

OMEGA DIAGNOSTICS GROUP PLC

“the Company”

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

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the above named Company will be held at 9:00 a.m. on 17 December 2010 at Omega House, Alva, Clackmannanshire, FK12 5DQ for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

- 1 THAT the acquisition of the IVD business of Allergopharma Joachim Ganzer K.G. by Omega Diagnostics GmbH, a wholly-owned German-registered subsidiary of the Company, pursuant to and on the terms of an agreement dated 16 November 2010 entered into amongst Omega Diagnostics GmbH, the Company and Allergopharma Joachim Ganzer K.G. and described in the circular of the Company dated 17 November 2010 of which this notice forms part (the “Admission Document”), be and is hereby approved.
- 2 THAT, conditional upon the passing of resolution 1 above, and in accordance with section 551 of the Companies Act 2006 the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (“Rights”) up to an aggregate nominal amount of £3,719,550 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on conclusion of the next annual general meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the directors in accordance with section 80 of the Companies Act 1985 or section 551 of the Companies Act 2006, but without prejudice to any allotment already made or offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTION

- 3 THAT, conditional on the passing of resolutions 1 and 2 above, and in accordance with section 570 of the Companies Act 2006, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 2, as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:
 - 3.1 the allotment of 64,583,350 Ordinary Shares of 4p each in connection with the Placing Agreement (as defined in the Admission Document);
 - 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

3.3 the allotment of Ordinary Shares otherwise than pursuant to sub paragraphs 3.1 and 3.2 above up to an aggregate nominal amount of £170,432;

and provided that this power shall expire on conclusion of the next annual general meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Registered Office:
One London Wall
London EC2Y 5AB
17 November 2010

By order of the Board
Kieron Harbinson
Secretary

Notes:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 15 December 2010 shall be entitled to attend and vote at the Meeting.

Appointment of proxies

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

Appointment of proxy using hard copy proxy form

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

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

- completed and signed;
- sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232;
- alternatively, the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com;
- and received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

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

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

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

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

Termination of proxy appointments

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

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

In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

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

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

Corporate representatives

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

Issued shares and total voting rights

11. As at 17 November 2010, the Company's issued voting share capital comprised 20,632,907 ordinary shares of 4p each. Each ordinary share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 17 November 2010 is 20,632,907.

Communications with the Company

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

Voting through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

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

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

