Specialists In Immunoassay

10 December 2007

IMMUNODIAGNOSTIC SYSTEMS HOLDINGS PLC
Unaudited Interim Results for the Six-Month Period to 30 September 2007

Immunodiagnostic Systems Holdings plc ("IDS" or the "Company" or the "Group"), a leading producer of diagnostic testing kits for the clinical and research markets, announces its interim results for the six month period to 30th September 2007.

IDS operates in the in-vitro diagnostics ("IVD") market. The Company designs, manufactures and sells immunoassay kits which are used to measure or detect particular substances within a sample, thus aiding the diagnosis or monitoring of a disease or providing information for research studies. In 2006 the immunoassay sector of the IVD market was estimated to be worth US$ 5.5bn.

Financial Highlights:

- Turnover up 49% to £6.77m (2006: £4.53m);
- Organic revenue up 17% to £5.30m (2006: £4.53m);
- Gross profit up 48% to £4.32m (2006: £2.92m);
- EBITA up 88% to £1.54m (2006: £0.82m);
- Pre-tax profit up 81% to £1.34m (2006: £0.74m);
- Adjusted, fully diluted earnings per share up 33% to 5.6p (2006: 4.2p).

Operational Highlights:

- Two acquisitions made during the half year;
- Two new products preparing for launch in the second half of this financial year;
- The appointments of Alain Rousseau as Engineering Director and Ian Cookson as Operations Director.

In his statement to shareholders, David Evans, Chairman said:
"The outlook for the Group for the second half remains very positive and trading continues to meet expectations.

"I see continued growth being achieved across all aspects of the Group's business and the outlook for the Group going forward remains positive, however the short term challenge is to fully complete the integration of our newly acquired businesses into our organisation.

"I look forward to updating you further as we make progress in relation to the Group's roll out of automation and our automated panel of immunoassay products."

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CHAIRMAN'S STATEMENT

Dear Shareholder

I am pleased to report an excellent set of results, demonstrating that IDS has continued to successfully execute its acquisition and growth strategy. At the same time revenues and profits have continued to grow organically, with revenues benefiting from three months contribution from the Nordic acquisition and one month from the Biocode Hycel acquisition:

- Nordic Bioscience Diagnostics (NBD), a manufacturer of bone and arthritic diagnostics test kits, was acquired during the period for a total of £17 million – consideration effectively being £10 million cash and £7 million in IDS ordinary shares issued at a price of 251.5p per share;
- Biocode Hycel (BCH), a manufacturer of diagnostic test kits and automated instruments, was acquired in September for a total of €23 million – consideration effectively being €12 million in cash and the remainder in shares;
- The Company successfully raised £12 million from a secondary issue to help fund the acquisition of BCH;
- The Company has also benefited from the appointment of an Operations Director, Ian Cookson, previously of Axis Shield Diagnostics. Ian is contributing tremendously to the integration of NBD and BCH as well as his contribution to our general growth in production and order fulfilment;
- The Company has also benefited from the appointment of Alain Rousseau as Engineering Director and we welcome his expertise and experience accumulated over many years within the IVD industry in bringing several automated instruments to the market. Alain has been influential in guiding the 3X3 to its current stage of development.

Results

These are the first set of results prepared under International Financial Reporting Standards resulting in the adoption of new accounting policies in relation to a number of key items in particular; accounting for acquisitions and also research and development expenditure.

Profit and Loss
Turnover for the Group amounted to £6.8m, which, when compared to same period last year, represents a 49% increase. Our core products sales continue to see growth both domestically and abroad and are some 17% greater than same period last year. The gross margin decreased by 0.55% as a result of the acquisition of BCH. Other costs increased by £0.72 m which were in line with management expectations following the two acquisitions.

This has resulted in an EBITA of £1,543,000 (2006: £816,000) and Operating Profit of £1,463,000 (2006: £782,000) with a Profit before Tax of £1,342,000 (2006: £742,000). The Company paid its second annual dividend during the period amounting to £202,000 (2006: £133,000).

Balance Sheet

Some key points within the balance sheet following our acquisitions are Goodwill, Intangible Assets and Net Debt:

£’000	IDS	SBA	BCH	NBD	Total
Goodwill	-	-	13,484	14,729	28,213
IP	536	823	98	1,664	3,121
Development Costs	250	-	4,275	-	4,525
Intangible Assets	786	823	4,373	1,664	7,646

Analysis of net debt

Net debt as at 30th September 2007 was £7,932,000 compared to net funds of £257,000 as at 30th September 2006. The major factor being the £10,000,000 loan taken to partially fund the acquisition of NBD.

Business Overview

The Group has continued to grow and is benefiting from its direct sales of a wider and more complete panel of products (both organically launched by the Company and also acquired through the two acquisitions) into both the USA and our key European territories of Germany, France, the United Kingdom and now Scandinavia, courtesy of our acquisition of NBD.

The acquisition of NBD has increased our Company's profile as a global supplier of bone and skeletal products. We remain very confident that we can continue to grow this business significantly by not only exploiting the margin and revenue benefits of direct distribution, but also from the longer-term growth opportunities afforded by automating those acquired assays.

Ultimately of greater strategic significance is the opportunity provided by the acquisition of BCH to automate not only the existing IDS product range but also to widen our product offering through menu range extension. This will be achieved both in partnership with other companies for designated product areas, such as Infectious Diseases and Auto-immune Disease with Bouty of Italy, and through our own internal biochemistry development programme. We are confident that we can add to the number of 3X3 alliances during 2008.

The expenditure on the 3X3 programme going forward will be funded from current resources and the Board is cognisant of the impact that BCH has on the Profit and Loss Account in the short to medium term and all efforts are being made to minimize the outflows (excluding development expenditure on the 3X3) from their current operations without damaging the infrastructure necessary to support the 3X3 in the future.

As a consequence of the 3X3 acquisition we have lost the Kryptor distributorship (due to conflict of interest with the 3X3) in the UK which accounted for £326,000 sales in the first six months of this year. The termination of this contract will be effective as of 31 December 2007 and has been handled professionally and amicably by both parties.

3X3

The development of the 3X3 instrument and assays for that instrument remain our single biggest priority.

The instrument development programme is progressing well and the design should be frozen by January 2008, early user trials in non-clinical environments have provided us with useful feedback with regard to the robustness of both the instrument hardware and software as well as its ease of use.

The assay development programme is also progressing well at both Boldon and Liège and we anticipate the first menu relating to our bone panel tests will be available on the 3X3 by H2 2008. Whilst individual products will be available earlier, the true benefit will only be gained by having a comprehensive menu for specific disease areas. In this particular respect the Board believes that it will have the most comprehensive automated bone panel in the world and it will seek to add to its IP in this area where long-term value will accrue.

Board Management and Team

I am delighted that we were able to secure the services of both Alain Rousseau and Ian Cookson. Alain has had many years of experience within automation and has successfully launched a number of automated solutions into the diagnostic market; Ian Cookson brings with him a level of knowledge and detail which our production and operations departments will benefit from, allowing us to keep up with demand for our products in an efficient and timely manner.

Outlook

The outlook for the Group remains positive as we continue to trade marginally ahead of expectation.

The 3X3 instrument and assay development programme remains on course and we will add new partners during the course of 2008 and we anticipate, as expected, the first benefits of this flowing through in the next financial year. A milestone in development was to achieve CE mark, according to the IVD Directive, for the instrument and to transfer our first automated test, on time, under contract to a major Pharmaceutical company in November.

The past six months has been a time of considerable activity within the Group and the progress we have made and continue to make would not have been possible without the dedicated effort of all our employees and I would like to thank them for helping the Group progress and expand as rapidly as it has done.

David Evans
7 December 2007

Chief Executive's Review

Introduction

IDS has continued to grow organically, accelerated by judicious acquisition. As a result, we now have direct sales presence, and take full margin on sales, in the USA, Germany, France and Scandinavia, in addition to the UK. We have significantly bolstered our product offering with the acquisition of NBD, and also secured a major engine of forward growth in the acquisition of BCH.

Market Conditions

The market for diagnostic products continues to grow, with higher growth in the specialist niche areas occupied by IDS, in particular Bone & Skeletal diagnostics, with a burgeoning demand for vitamin D determinations. The organic growth of 17% in IDS products continues to closely match those of management expectations.

This strong growth has been delivered by an existing range of 'manual' laboratory products in the major IVD markets of the world, where we now have vigorous young subsidiaries hungry for sales. Their performance will be enhanced with the addition of the well-respected clinical and research products acquired along with NBD.

We believe strongly that there is a growing demand for automated solutions to the increasing workloads being experienced in the clinical environment to diagnose bone, skeletal and growth disorders, and increasingly for monitoring the efficacy of expensive therapeutic regimens. The acquisition of BCH was strategically important to secure access to a 'state of the art' closed automated system (known as the 3X3) for our existing products, and has additionally delivered an excellent springboard to the adjacent arenas of coagulation (haemostasis) and biochemistry.

This bodes well for future growth.

Operating Review

IDS currently has its major manufacturing site in Boldon in the UK, and ongoing manufacture of NBD products in Denmark until mid-2008, by which time these will have transferred to the UK.

Manufacture of 3X3 products will be centred in our (BCH) facility in Liège (Belgium). Haematology and biochemistry reagent manufacture will continue in Liège and Rennes (France), and instrument manufacture will be centred in Pouilly, France.

New product development continues in Boldon, Liège and Oulu (Finland), in a spirited and constructively competitive manner that encourages successful progress.

Financial Results in Summary

Revenues, profits and earnings per share all substantially increased compared to same period last year:

Turnover by Product Area:

Period Ending 30th September:	2007	2006	Change
	£'000	£'000	%
Vitamin D	3,157	2,414	30.78
Octeia	607	632	(3.96)
Other	313	189	65.61
Total of IDS manufactured products	4,077	3,235	26.03
Distribution of third party sales	1,218	1,298	(6.16)
Nordic Bioscience products	893	0	
Biocode Hycel products	579	0	
	6,767	4,533	49.28

- Gross profit, has increased by £1,402,000 to £4,322,000 (2006:£2,920,000)
- Operating Profit has increased by 87% to £1,463,000 (2006: £782,000)
- Profit before tax has increased by £600,000 to £1,342,000 (2006: £742,000)
- Cash and cash equivalents of £4,404,000 compared to £840,000 in 2006
- Dividends paid during the period amounted to £202,000 (2006:£133,000)

IFRS

These are the first set of company results to be published under the IFRS standards. As a consequence, we have included within these financial results a summary of our main accounting policies. Last year’s full and interim accounts have been restated and reconciliations are included within the notes to these accounts.

Roger Duggan
7 December 2007

Unaudited consolidated interim income statement
For the six month period to 30 September 2007

	Note	**6 Months ended 30 Sept 2007 £'000**	**6 Months ended 30 Sept 2006 £'000**	**Year ended 31 March 2007 £'000**
Revenue	2			
Continuing		5,295	4,533	9,922
Acquisitions		1,472	-	-
		6,767	**4,533**	**9,922**
Cost of Sales		(2,445)	(1,613)	(3,420)
Gross Profit		**4,322**	**2,920**	**6,502**
Administrative expenses		(2,859)	(2,138)	(4,288)
Operating Profit		**1,463**	**782**	**2,214**
Net interest (payable) / receivable		(121)	(40)	(20)
Profit on ordinary activities before taxation	2	**1,342**	**742**	**2,194**
Tax on profit on ordinary activities	6	(398)	(136)	(596)
Profit for the period		**944**	**606**	**1,598**
Earnings per share				
- basic (per share pence)	5	6.059	4.543	11.975
- diluted (per share pence)	5	5.604	4.225	10.955

Unaudited consolidated interim statement of recognised income and expense
For the six month period to 30 September 2007

	Note	**6 Months ended 30 Sept 2007 £'000**	**6 Months ended 30 Sept 06 £'000**	**Year ended 31 March 2007 £'000**
Profit for the period		944	606	1,598
Foreign exchange translation differences on foreign currency net investments in subsidiaries		(62)	31	(11)
Total recognised income and expense attributable to equity holders of the parent		882	637	1,587

Unaudited consolidated interim balance sheet
As at 30 September 2007

	Note	6 Months ended 30 Sept 2007 £'000	6 Months ended 30 Sept 2006 £'000	Year ended 31 March 2007 £'000
Assets				
Non-current assets				
Property, plant and equipment		2,876	964	1,137
Intangible assets		7,646	1,058	1,392
Goodwill		28,213	-	-
Investments		3	3	3
		38,738	2,025	2,532
Current Assets				
Inventories		5,637	935	915
Trade and other receivables		4,244	1,478	2,108
Deferred tax asset		561	-	-
Cash and cash equivalents		4,404	840	960
		14,846	3,253	3,983
Total assets		53,584	5,278	6,515
Liabilities				
Current liabilities				
Short term portion of long term borrowings		1,836	232	69
Trade and other payables		5,086	1,120	1,659
Income tax liabilities		118	111	286
		7,040	1,463	2,014
Net current assets		7,806	1,790	1,969
Non- current liabilities				
Long term borrowings		10,500	351	16
Provisions		6,177	27	27
Deferred tax		-	5	8
Deferred income		20	24	20
		16,697	407	71
Total liabilities		23,737	1,870	2,085
Net assets	8	**29,847**	**3,408**	**4,430**
Total equity				
Share capital	9	479	267	267
Other reserves		26,202	1,704	1,739
Profit and loss account	8	3,173	1,439	2,431
Treasury Shares		(7)	(2)	(7)
Equity shareholders' funds	8	**29,847**	**3,408**	**4,430**

Unaudited consolidated interim cash flow statement
For the six month period to 30 September 2007

	Note	**6 Months ended 30 Sept 2007 £'000**	**6 Months ended 30 Sept 2006 £'000**	**Year ended 31 March 2007 £'000**
Operating profit		1,463	782	2,214
Adjustments for:				
Depreciation and amortisation		167	128	256
Share based payment expense		29	-	77
Interest paid		(121)	(40)	(20)
Operating cash flows before movements in working capital		(1,538)	870	2,527
Movement in inventories		(165)	(130)	(109)
Movement in receivables		2,836	85	(545)
Movement in payables		(3,543)	(157)	243
Taxation paid		(1,135)	(138)	(428)
Net cash from operating activities		**(469)**	**530**	**1,688**
Investing activities				
Purchase of property, plant and equipment		(425)	(310)	(546)
Purchase of intangible assets		-	-	(246)
Acquisition of subsidiaries (net of cash acquired)		(18,234)	-	-
Development expenditure on research and development activities capitalised		(836)	-	-
Net cash used in investing activities		**(19,495)**	**(310)**	**(792)**
Financing activities				
Proceeds from long term borrowings		12,251		
Repayment of long term borrowings			(132)	(688)
Dividends paid		(202)	(133)	(133)
Proceeds from issue of shares		11,359	-	-
Net cash used in financing activities		**23,408**	**(265)**	**(821)**
Net increase / (decrease) in cash and cash equivalents		3,444	(45)	75
Cash and cash equivalents at beginning of period		960	885	885
Cash and cash equivalents at end of period		4,404	840	960

Notes to the Interim Financial Statements

For the period to 30 September 2007

1 This interim statement for the six month period to 30 September 2007 is unaudited and was approved by the Directors on 7 December 2007. The information set out does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

2 **Turnover and segmental information**

Turnover and profit before tax relate principally to the main activity of the manufacturing and distributing of medical diagnostic products, and are attributable to the continuing operations of the Group.

Geographical analysis of turnover by origin:

	6 Months ended 30 Sept 2007	6 Months ended 30 Sept 2006	Year ended 31 Mar 2007
	£'000	£'000	£'000
UK	3,012	2,499	5,736
Europe	2,646	1,234	2,658
USA	1,109	800	1,528
	6,767	4,533	9,922

Geographical analysis of profit before tax by origin:

	6 Months ended 30 Sept 2007	6 Months ended 30 Sept 2006	Year ended 31 Mar 2007
	£'000	£'000	£'000
UK	1,200	713	2,064
Europe	138	(12)	(14)
USA	125	81	164
Operating profit	1,463	782	2,214
Finance charges (net)	(121)	(40)	(20)
Profit on ordinary activities before tax	1,342	742	2,194

Geographical analysis of net assets/(liabilities) by origin:

	30 Sept 2007	30 Sept 2006	31 Mar 2007
	£'000	£'000	£'000
UK	23,298	3,365	4,360
Europe	6,308	(87)	(102)
USA	241	130	172
	29,847	3,408	4,430

3 The financial statements are prepared under the historical cost convention in accordance with applicable International Financial Reporting Standards as adopted by the European Union and issued by the International Accounting Standards Board (IFRS). IFRS includes all IFRS, IAS, ISCs and IFRICs and the financial statements have been prepared in accordance with those parts of the Companies Act 1985 applicable to companies under IFRS. The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS.

4 **Basis of consolidation**

The consolidated financial information incorporates the financial information relating to the Company and its subsidiary undertakings, with the exception of Immunodiagnostic Systems Limited, using the acquisition method of accounting, and the consolidated results of its subsidiary undertaking, Immunodiagnostic Systems Limited, using the merger method of accounting.

5 **Earnings per share**

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's share option scheme. At 30 September 2007, the performance criteria for the vesting of the awards under the option scheme had been met and consequently the shares in question are included in the diluted EPS calculation.

The calculations of earnings per share are based on the following profits and numbers of shares.

	6 Months ended 30 Sept 2007	6 Months ended 30 Sept 2006	Year ended 31 Mar 2007
	£	£	£
Profit on ordinary activities after tax	943,898	606,275	1,598,026
	No.	No.	No.
Weighted average no of shares:			
For basic earnings per share	15,579,053	13,344,667	13,344,667
Effect of dilutive potential ordinary shares:			
-Share Options	1,264,571	1,003,350	1,242,392
For diluted earnings per share	16,843,624	14,348,017	14,587,059
Basic earnings per share	6.059p	4.543p	11.975p
Diluted earnings per share	5.604p	4.225p	10.955p

6 **Taxation**

Taxation for the 6 months ended 30 September 2007 is based on the effective rate of taxation which is estimated to apply to the year ended 31 March 2008.

7 **Acquisitions**

The Group acquired 100% of the share capital of Nordic Bioscience Diagnostics A/S (NBD) and 99.93% of the share capital of Biocode Hycel S.A. (BCH) during the period. The book and fair values acquired were as follows:

	NBD			BCH			
	Book value £'000	Fair value adj £'000	Fair value £'000	Book value £'000	Fair value adj £'000	Fair value £'000	Total £'000
Intangible assets	-	1,712	1,712	3,540	196	3,736	5,448
Property, plant and equipment	14	-	14	1,394	43	1,437	1,451
Inventories	596	330	926	3,631		3,631	4,557
Receivables	1,174	-	1,174	2,216	-	2,216	3,390
Cash and cash equivalents	1,228	-	1,228	(16)	-	(16)	1,212
Payables	(727)	(60)	(787)	(6,901)	142	(6,759)	(7,546)
Deferred tax	-	(389)	(389)	-	1,560	1,560	1,171
	2,285	1,593	3,878	3,864	1,941	5,805	9,683
Goodwill			14,729			13,484	28,213
Consideration			18,607			19,289	37,896
Consideration satisfied by							
Shares			6,903			6,446	13,349
Cash (including expenses)			11,704			7,742	19,446
Earn-out provision			-			5,101	5,101
			18,607			19,289	37,896

8 **Statement of changes in equity**

	Share capital £'000	**Other Reserves £'000**	**Profit and loss acc £'000**	**Treasury Shares £'000**	**Total £'000**
At 1 April 2007	267	1,739	2,431	(7)	4,430
Profit for the period			944		944
Foreign exchange translation differences on foreign currency net investment in subsidiaries.		(62)			(62)
Share based payments charged to equity reserves		29			29
Dividend Paid			(202)		(202)
Shares issued in the period (net of expenses)	212	24,496			24,708
At 30 September 2007	479	26,202	3,173	(7)	29,847

	Share capital £'000	Other Reserves £'000	Profit and loss acc £'000	Treasury Shares £'000	Total £'000
At 1 April 2006	267	1,673	966	(2)	2,904
Profit for the period			606		606
Foreign exchange translation differences on foreign currency net investment in subsidiaries.		31			31
Dividend Paid			(133)		(133)
At 30 September 2006	267	1,704	1,439	(2)	3,408

	Share capital £'000	Other Reserves £'000	Profit and loss acc £'000	Treasury Shares £'000	Total £'000
At 1 April 2006	267	1,673	966	(2)	2,904
Profit for the year			1,598		1,598
Foreign exchange translation differences on foreign currency net investment in subsidiaries.		(11)			(11)
Acquisition of own shares				(5)	(5)
Share based payments charged to equity reserves		77			77
Dividend Paid			(133)		(133)
At 31 March 2007	267	1,739	2,431	(7)	4,430

9 Share Capital

	6 Months ended 30 Sept 2007 £	6 months to ended 30 Sept 2006 £	Year ended 31 March 2007 £
Authorised:			
75,000,000 ordinary 2p shares	1,500,000		
50,000,000 ordinary 2p shares		1,000,000	1,000,000
	1,000,000	1,000,000	1,000,000
Allotted, called up and fully paid:			
23,967,686 ordinary 2p shares	479,353		
13,344,667 ordinary 2p shares		266,893	266,893
	479,353	266,893	266,893

10 Other reserves

The other reserves consist of the share premium account, the merger reserve, the foreign currency translation reserve and the reserve for shares to be issued under employee share option plans.

The merger reserve arises on consolidation of the results of Immunodiagnostic Holdings PLC and the consolidated results of Immunodiagnostic Systems Limited. The reserve represents the difference arising on consolidation between the nominal value of shares issued by Immunodiagnostic Holdings PLC in consideration for 100% of the share capital of Immunodiagnostic Systems Limited and the nominal value of the shares acquired, plus the share premium account relating to those shares.

11 Report and Financial Statements

The comparative figures for the financial year ended 31 March 2007 which are now presented under IFRS are not the statutory financial statements for that financial year. Those financial statements were presented under UK GAAP, reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. Copies of the Annual Report for 2006 are available from the Company's registered office by applying to the Company Secretary.

The interim results for the six months ended 30th September 2007 and 30th September 2006 have not been audited. The financial information set out above does not constitute full financial statements as defined by section 240 of the Companies Act 1985.

12 Accounting policies

The significant accounting policies that have been used in the preparation of the financial statements are summarised below.

Basis of accounting
The financial statements are prepared under the historical cost convention in accordance with applicable International Financial Reporting Standards as adopted by the European Union and issued by the International Accounting Standards Board (IFRS). IFRS includes all IFRS, IAS, ISCs and IFRICs and the financial statements have been prepared in accordance with those parts of the Companies Act 1985 applicable to companies under IFRS. The measurement basis and principal accounting policies are set out below.

The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS. The changes to accounting policies are explained in note 13, together with the reconciliation of opening balances. The date of transition to IFRS was 1 April 2006.

Basis of preparation
The financial statements are prepared on the historical cost basis except for certain financial assets which are stated at their fair values.

The preparation of financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Application of IFRS1
Under the first time adoption procedures set out in IFRS1, the Company is required to establish IFRS accounting policies as at 31 March 2008 and to apply these retrospectively in the determination of prior period comparatives from 1 April 2006, the date of transition. The accounting policies set out below have been applied consistently to all of the periods covered in the financial statements.

There are a number of optional exemptions to this general principle, the most significant of which are set out below:

IFRS 3, Business Combinations
The Group has elected not to restate business combinations prior to the date of transition. Accordingly, the balance sheet at 1 April 2006 incorporates the financial statements of its subsidiary undertaking Immunodiagnostic Systems Limited using the merger method of accounting and the subsidiary's subsidiary undertakings using the acquisition method of accounting. Goodwill previously recognised on consolidation has been reviewed for impairment as at 1 April 2006 and has been fully written off as at that date. Associates have been deemed wholly immaterial and are treated as investments in the Group accounts.

IAS 32, Financial Instruments: Disclosure and Presentation and
IAS 39, Financial Instruments: Recognition and Measurement
The Group has elected to adopt IAS 32 and IAS 39 from 1 April 2006 and not to restate prior period comparatives.

Tables setting out the reconciliation of opening UK GAAP balances to IFRS, together with the effect on the equity, net income and cash flows, are provided in note 13.

Foreign currencies
The results and financial position of the Group are expressed in pounds sterling, its functional currency. Transactions in currencies other than pounds sterling are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognised in the consolidated income statement for the period.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates prevailing at the dates when the fair value was determined. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency (eg property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation of net assets are effected through the statement of recognised income and expense.

Where a non-monetary foreign currency loan forms part of the net investment in a foreign subsidiary, on consolidation the exchange differences are recognised directly in equity to the extent the loan qualifies as an effective hedge.

Business combinations
The financial statements incorporate the financial statements of the Company and all its subsidiaries. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group since date of transition. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of assets and liabilities is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly (but normally through voting rights granted through the Company's shareholdings), to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements.

Acquisitions
On acquisition, the assets and liabilities of a subsidiary, including identifiable intangible assets, are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is reviewed for impairment annually and any impairment is recognised immediately in the income statement. Any excess of fair value of the identifiable net assets acquired over the cost of acquisition is credited to the income statement on acquisition. Goodwill recorded on business combinations prior to IFRS transition has not been restated and has either been written off to reserves or capitalised according to the UK GAAP accounting standards then in force. On disposal or closure of a previously acquired business, the attributable goodwill previously written off to reserves is not included in determining the profit or loss on disposal.

The results and cash flows relating to the business are included in the consolidated accounts from the date of combination.

In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account of Immunodiagnostic Systems Holdings PLC is not presented.

Revenue recognition
Revenue is measured by reference to the fair value of consideration received or receivable for goods and services provided in the normal course of business, excluding VAT. Revenue is recognised upon the performance of services or transfer of risk to the customer. Where services are based on performance or specific deliverables the income is accounted for as the right to consideration for performance is earned.

Goodwill and other intangible assets
Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually.

All research costs, which consist predominantly of salaries, are charged to the income statement as incurred.

Development costs, which consist predominantly of salaries and third party direct costs, are capitalised as an intangible asset when recognition criteria are met and, in particular, it is clear that the development expenditure will generate future economic benefit. Otherwise development costs are charged to the income statement as incurred. Capitalised costs are amortised over 5 years from the date the product commences commercial production.

All development expenditure incurred on automation of IDS products on the 3X3 will be capitalised and amortised over 5 years from the date the product commences commercial production. Development expenditure on research use only products will be expensed as incurred as there is uncertainty as to the magnitude of future revenues being sufficient to cover the development costs.

Research and development of clinical products – all expenditure incurred up to feasibility stage is expensed off – all expenditure post feasibility will be capitalised and amortised post product launch over 5 years.

Other intangible assets acquired as part of a business acquisition are capitalised at fair value at the date of acquisition. Purchased intangible assets acquired separately are capitalised at cost. After initial recognition, all intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

The TRAP patent was recognised at fair value on the acquisition of a subsidiary. The amount capitalised is the consideration in excess of the book values of the assets and liabilities at the date of acquisition. The directors consider 20 years as a reasonable period of estimated useful life.

Where an intangible asset has been assigned an indefinite useful life, it is not amortised and is reviewed for impairment either annually or more frequently if events or changes in circumstances indicate a possible decline in the carrying value.

Intangible assets which have been assigned a finite life are amortised on a straight line basis over the assets' useful life of up to 20 years and are tested for impairment if events or changes in circumstances indicate that the carrying value may have declined. Useful lives are examined every year and adjustments are made, where applicable, on a prospective basis.

Tangible assets

Property, plant and equipment

Property, plant and equipment is shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at varying rates calculated to write off cost to the expected current residual value by equal annual instalments over their estimated useful economic lives. The principal rates employed are:

Leasehold Property	-	over the life of the lease
Plant & Machinery	-	over 7 years
Fixtures & Fittings	-	over 5 years
Motor Vehicles	-	over 4 years

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. The gain or loss arising from the sale is included in administrative expense in the income statement.

Investments

Fixed asset investments are stated at cost after making provision for any impairment in the value.

Impairment

Impairment is determined by comparing the recoverable amount of the cash-generating unit or Group of cash-generating units ("CGU") which are expected to benefit from the asset to its carrying value. The recoverable amount is the greater of an asset's value in use and its fair value less costs to sell. Value in use is calculated by discounting the future cash flows expected to be derived from the asset or Group of assets in a CGU at an appropriate pre tax discount rate. Where the recoverable amount is less than the carrying value, the asset is considered impaired and is written down through the income statement to its recoverable amount.

Inventories

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less estimated cost of disposal.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of the work in progress.

Lease and hire purchase commitments

Assets held under hire purchase agreements are capitalised in the balance sheet at the fair value of the assets and are depreciated over their useful lives. The capital element of future obligations under the contract is included in liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

All other leases are classified as operating leases and rentals are charged to the income statement on a straight line basis over the lease term.

Pensions
Trading companies operate defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the Company. The annual contributions payable are charged to the income statement.

Financial assets
Trade receivables
Trade receivables are initially recognised at fair value and thereafter at amortised cost using the effective interest rate. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of these receivables. The amount of the provision is recognised in the income statement. Trade receivables do not carry any interest charge.

Cash
Cash includes cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

Financial liabilities
Trade payables
Trade payables are non-interest-bearing and are initially measured at fair value and thereafter at amortised cost using the effective interest rate.

Borrowings
Interest-bearing loans and bank overdrafts are initially carried at the fair value. Finance charges, including premia payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Employee Benefit Trust
Assets held in the Employee Benefit Trust are recognised in the financial statements of the Group until they vest unconditionally in identified beneficiaries.

The consideration paid for the Company's own shares is deducted in arriving at shareholders funds, where the shares have not vested unconditionally in the employees. When unconditional awards are made to employees the cost recognised is the fair value of the shares at the date of the award, which is spread over the period to which the employee's performance relates.

Government grants
Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate. Revenue grants are credited to the profit and loss account in the period to which they relate.

Share based payments
All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value is measured by the use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments. Changes in fair value are recognised through the profit and loss account.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

Taxation
Current tax is the tax currently payable based on taxable results for the year.

Deferred income taxes are calculated using the liability method on temporary differences. However, deferred tax is not provided on the initial recognition of an asset or a liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of that instrument.

The Group uses foreign currency loans to hedge its overseas exposure and fixed rate interest swaps to hedge its term loan interest rate exposure. The Group does not use derivative financial instruments for speculative purposes.

Interest rate swaps are initially recognised at cost and are subsequently re-measured to fair value at each balance sheet date. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. These valuations are provided by the issuing financial institution.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Equity
Equity comprises the following:

- share capital represents the nominal value of equity shares.
- share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- retained earnings include all current and prior period results as disclosed in the income statement.
- Merger reserve represents the share premium and capital redemption reserve in existence in the subsidiary at the date of merger.
- Share based payment reserve is the corresponding entry to the expense arising from equity-settled share-based payments.

Critical judgements in applying the Company's accounting policies
In the process of applying the Group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Research and development
Research and development expenditure is capitalised as an intangible asset when recognition criteria are met and, in particular, it is clear that the development expenditure will generate future economic benefit. The development of the 3X3 instrument and a range of tests to be run on it are seen as development expenditure so relevant costs are capitalised and amortised over 5 years from the date the product commences commercial production.

Identification and valuation of intangible assets on acquisition
During the year the Group completed the acquisitions described in note 7. The Group's policies require that a fair value at the date of acquisition be attributed to the intangible assets owned by the acquired companies. The directors use their judgement to identify the separate intangible assets and then determine a fair value for each based upon the consideration paid, the nature of the asset, industry statistics, future potential and other relevant factors. These fair values will be reviewed for impairment annually.

Segmental analysis
The Company's principal activity consists of manufacturing and distributing medical diagnostic products. The directors believe that these activities comprise one business unit and consequently segmental analysis by business segment is not considered necessary.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives
The Group uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible fixed assets are impaired, and to determine the useful economic lives of its goodwill and intangible assets. If the results of operations in a future period are adverse to the estimates used a reduction in useful economic life may be required.

Standards not yet effective
The directors do not expect any of the standards detailed below which are issued but not yet effective to have a material impact on the financial information.

IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14, IAS19 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

Although the following standards will not have a material effect on the results they will have a material effect on the disclosures:

IAS 1 revised (effective 1 January 2009)
IFRS 8 Operating Segments (effective 1 January 2009)

13 Transition to International Financial Reporting standards

Immunodiagnostic Systems PLC is adopting International Financial Reporting Standards (IFRS) for its Group accounts for the financial year ending 31 March 2008. Previously the Group has applied United Kingdom generally accepted accounting principles (UK GAAP). These interim financial statements are the Group's first published financial statements under IFRS; the first annual report and accounts to be prepared on this basis will be in respect of the year ending 31 March 2008.

Summary of IFRS impact

The areas of accounting that are most significantly impacted are:

- The treatment of purchased goodwill
- Accounting for business combinations
- Deferred taxation

The following table summarises the impact of the adoption on the Group's profit for the six months ended 30 September 2006 and the year ended 31 March 2007.

	6 months to Sept 2006 £'000	Year ended 31 March 2007 £'000
Profit before tax as reported under UK GAAP	737	2,189
IFRS adjustments		
Reversal of goodwill amortisation	8	8
Holiday pay accrued	(3)	(3)
Profit before tax as reported under IFRS	742	2,194

The impact on total equity (and net assets) at 31 March 2006, 30 September 2006 and 31 March 2007 is shown in the table below:

	31 March 2006 £'000	30 September 2006 £'000	31 March 2007 £'000
Net assets as previously reported under UK GAAP	2,868	3,366	4,434
Prior year adjustment in accounts to 31 March 2007	46	46	
Net assets under UK GAAP as restated	2,914	3,412	4,434
IFRS adjustments			
Elimination of share of associates' net liabilities	13	13	12
Impairment of goodwill	(8)		
Holiday pay accrued	(22)	(25)	(23)
Deferred tax	7	8	7
Net assets as reported under IFRS	2,904	3,408	4,430

The treatment of associates under IFRS requires the Group to derecognise their share of net liabilities and the corresponding entry in the income statement. Based on the directors' assessment of the resultant immaterial impact on the accounts and their expectations for the future activities of these investments, they consider they should be treated as simple investments, recorded in the balance sheet at their original cost less impairment.

The carrying value of the goodwill at transition of £8,000 was written off on transition as the directors considered that future cash flows could not be identified from the acquired business which would support the ongoing carrying value. The intangible asset acquired as part of the acquired business is considered to generate all the ongoing net cash inflows which supports the carrying value of that intangible asset.

Company:	Name:	Immunodiagnostic Systems Holdings PLC
	Address:	10 Didcot Way Boldon Business Park Boldon Tyne &Wear NE35 9PD

Board of Directors:

David Eric Evans	Non-Executive Chairman
Dr Roger Thomas Duggan	Managing Director
Paul Hailes	Finance Director
Tony Wilks	Sales & Marketing Director
Dr Martha Garrity	Technical Director
Ian Cookson	Operations Director
Alain Rousseau	Engineering Director
William Michael Dracup	Non- Executive Director
Dr Edward Duncan Blair	Non- Executive Director

Company Secretary:	Paul Hailes
Nominated Adviser and Broker:	Oriel Securities Ltd 125 Wood Street London EC2V 7AN
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Registrars:	Computershare Investor Services Plc Corporate Actions PO Box 859 The Pavilions Bridgewater Road Bristol BS99 1XZ
Solicitors:	Shepherd and Wedderburn 155 St Vincent Street Glasgow G2 5NR
Bankers:	HSBC Bank Plc 110 Grey Street Newcastle Upon Tyne NE1 6JG