Global growth

Immunodiagnostic Systems Holdings plc

Annual report & accounts
for the year ended 31 March 2011

www.idsplc.com

Our business

Immunodiagnostic Systems (IDS) is dedicated to the development and provision of innovative immunoassays for use in clinical and research laboratories.

IDS is a supplier of specialist immunoassay kits and automated immunoanalyser technologies for use in research, medical and pharmaceutical applications worldwide.

The Company enjoys a leading position in the provision of immunoassay kits for the determination of vitamin D (for the more technical; both 25-Hydroxy and 1,25-Dihydroxy Vitamin D). We are determined to remain at the forefront of vitamin D testing globally and the growing success of our fully-automated Vitamin D test on the IDS-iSYS underlines this determination. The IDS-iSYS automated system allows IDS to compete more effectively for the larger accounts in reference laboratories and Clinical Research Organisations, whilst also easing the pressure of growing volumes of testing being experienced by small to mid-sized laboratories.

Operational highlights

This year 167 IDS-iSYS systems have been sold or placed on a reagent rental basis

IDS-iSYS system and 3 new products including 25-Hydroxy Vitamin D cleared by the FDA for launch into the US market

An additional facility in the UK has been secured to facilitate growth

Financial highlights

Revenue up 35%
to £50.2m (2010: £37.2m)

Pre-tax profit up 51%
to £16.6m (2010: £11.0m)

Diluted earnings per share up 54%
to 44.6p (2010: 28.9p)

Contents

Group strategy

The strategic intent of IDS is to hold a leadership position in specialist diagnostics. We will complement the products supplied by the main diagnostic providers rather than compete with them. We continue to develop and market both manual and fully-automated specialist immunoassay testing solutions for both the Research and Clinical laboratory markets.

The increase in the ageing population throughout the world has resulted in a higher incidence of conditions such as osteoporosis, rheumatoid- and osteo- arthritis, renal and cardiovascular disease. The spiralling socio-economic costs of bone fractures and other age-related morbidities are driving the need for better tools to monitor health and diagnose disease onset much earlier and IDS intends to play a full part in this.

As a leading specialist diagnostic company, our mission is to deliver improved outcomes for patients in our selected fields of speciality. We deliver innovative and effective assays and instruments of high quality, actively encourage the discovery of novel biomarkers in our selected specialist fields and drive towards their successful commercialisation.

Continued growth & profitability

- Revenue up 35% to £50.2m (2010: £37.2m)
- Gross profit up 36% to £37.5m (2010: £27.5m)
- EBITDA up 40% to £21.0m (2010: £15.0m)
- Pre-tax profit up 51% to £16.6m (2010: £11.0m)
- Diluted earnings per share up 54% to 44.6p (2010: 28.9p)
- Net debt decreased by £5.9m to £0.1m (2010: £6.0m)
- Launch of 3 more fully-automated assays on the IDS-iSYS system bringing the total to 9 assays with more to follow
- This year 167 IDS-iSYS systems have been sold or placed on a reagent rental basis, including 25 to OEM partners
- Average revenues per IDS-iSYS reagent rental up 32% to £102k (2010: £77k)
- IDS-iSYS system and 3 new products including 25-Hydroxy Vitamin D cleared by the FDA for launch into the US market
- Direct sales for all automated IDS-iSYS products in Benelux
- An additional facility in the UK has been secured to facilitate growth
- Revenue of £14.5m for the first 3 months of the new year, up 26% from £11.5m for the comparative period 2010

Profit before tax March 2007-11

Earnings per share (diluted) March 2007-11

Year in review

In the year to 31 March 2011, we have continued to make progress in our strategic direction of New Product Development, Geographic Growth and Acquisition. The year saw the FDA clearance and subsequent launch of the IDS-iSYS system and Vitamin D assay to the US market, the launch of three new automated assays on the IDS-iSYS system, the establishment of direct automated sales to the Benelux region and the acquisition of MGP Diagnostics.

IDS-iSYS

continues to establish itself as a significant automation platform

It has been pleasing to see the high levels of customer acceptance and satisfaction throughout our international markets.

June 10

US FDA 510(k) clearances for IDS-iSYS and automated Vitamin D kit

The receipt of 510(k) clearances enables IDS to market the IDS-iSYS, a fully-automated closed immunoassay system and its flagship product, 25-Hydroxy Vitamin D, in US laboratories undertaking analyses for human diagnostic purposes.

July 10

New specialist assay launched for use on the IDS-iSYS is an important addition

The launch of a fully-automated immunoassay for serum or plasma CTX-I for use on the IDS-iSYS immunoanalyser is an important addition to the Bone Panel of analytes.

As our business experiences continued growth, our organisational infrastructure and sophistication increased in parallel during the year, bringing a subsequent increase in employee numbers across a range of functions and locations. We have also achieved manufacturing efficiencies which have contributed towards our increased profitability.

October 10

IDS acquires Norwegian Company MGP Diagnostics and Matrix GLA

IDS acquires MGP Diagnostics AS of Mjøndalen, Norway (MGPD) securing IP portfolio including Matrix GLA protein (mGLA), a key regulator of vascular calcification.

November 10

Half yearly results announced highlighting rapid growth

Interim results for the six month period to 30 September 2010 highlight rapid sales growth of the IDS-iSYS alongside continued growth in manual Vitamin D products.

March 11

Two new specialist assays launched for use on the IDS-iSYS. IGF-I cleared for sale in the USA

The launches of Ostase® Bone Specific Alkaline Phosphatase (BAP) assay and Insulin-like Growth Factor Binding Protein-3 (IGFBP-3) assays bring the IDS-iSYS product range to a total of 9 specialist immunoassays.

IDS-iSYS Automated Immunoassay

IDS acquired Biocode Hycel in 2007. The result of combining Biocode Hycel's more than 40 years experience in the manufacture of laboratory automation with IDS' strong pedigree in specialist immunoassay development is the IDS-iSYS.

The IDS-iSYS enables IDS to provide a sophisticated fully-automated solution to the high volume laboratory segment performing specialist immunoassay tests, providing a solution to customers performing manual specialist immunoassays that need faster turnaround times, or seeking work-flow efficiencies due to increasing workload.

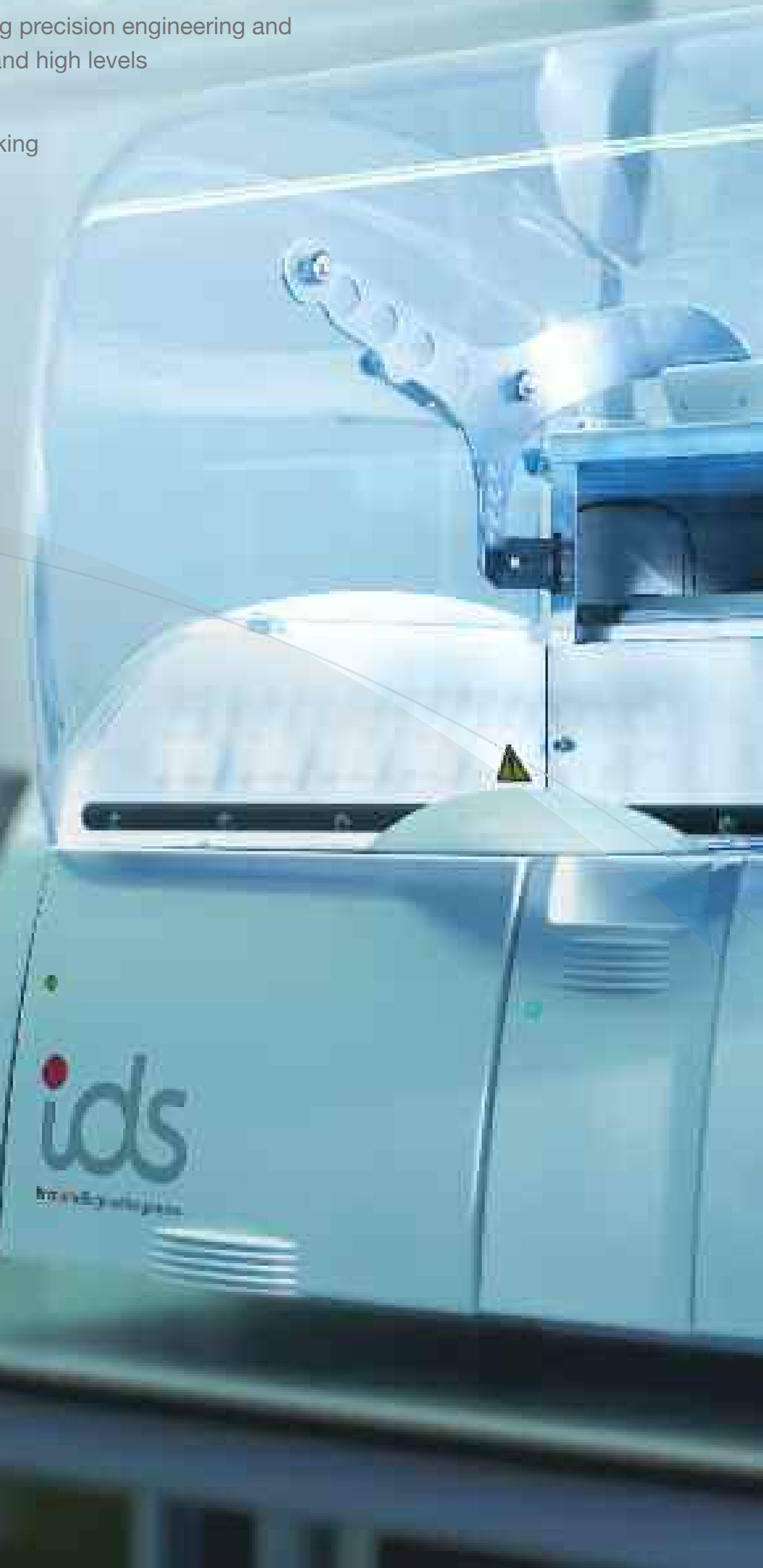
The IDS-iSYS can meet the needs of the most demanding laboratory.

The IDS-iSYS has been designed without compromise, utilising precision engineering and proven technology to ensure high quality assay performance and high levels of reliability.

Features such as automatic daily maintenance before the working day begins, refrigerated on-board reagent storage and the monitoring of reagent usage via simple graphical display software ensure customer ease of use.

Operator confidence in the IDS-iSYS is achieved by virtue of sophisticated onboard QC and full traceability through the use of barcoded reagents and consumables, as well as patient samples. Also, the easy to use, intuitive software makes the system easy to operate and quick for operators to learn.

"The IDS-iSYS enables IDS to provide a sophisticated fully-automated solution to the high volume laboratory segment performing specialist immunoassay tests."



The system is flexible, offering continuous random access, meaning patient samples and reagent cartridges can be added to, or removed from, the system while it is still in operation. Also, a "stat" function enables any urgent samples to be "fast-tracked" onto the system's work list without delay.

Reliability is of high importance to a laboratory when choosing a system. The IDS-iSYS is designed on a modular basis and incorporates patent protected features successfully addressing the known weaknesses in other systems. It has proven to be a very reliable system gaining a high level of customer acceptance.

IDS manufactures both the IDS-iSYS automated system and the IDS-ISYS test reagents. This means that IDS can better integrate system and assay design to optimum effect. IDS recognises that high quality, automated, clinically validated assays are key to improving laboratory standards and subsequently patient care. To this end IDS is committed to delivering a continuous pipeline of speciality assays for the IDS-iSYS to advance and enhance the quality of diagnostic results.

Bringing this excellence in automation to IDS' growing range of specialist immunoassays provides a unique offering to the clinical and reference laboratory markets. Throughput on this mid-sized, mid-priced specialist immunoanalyser makes it very attractive to big and small labs alike. Our target is the lower volume, higher value test menu that will continue to address the growing need for tests for osteoporosis, rheumatoid- and osteo- arthritis, hypertension and more.

The IDS-iSYS brings our range of specialist immunoassays to the automated testing market and will be the driver of the Company's continued growth.

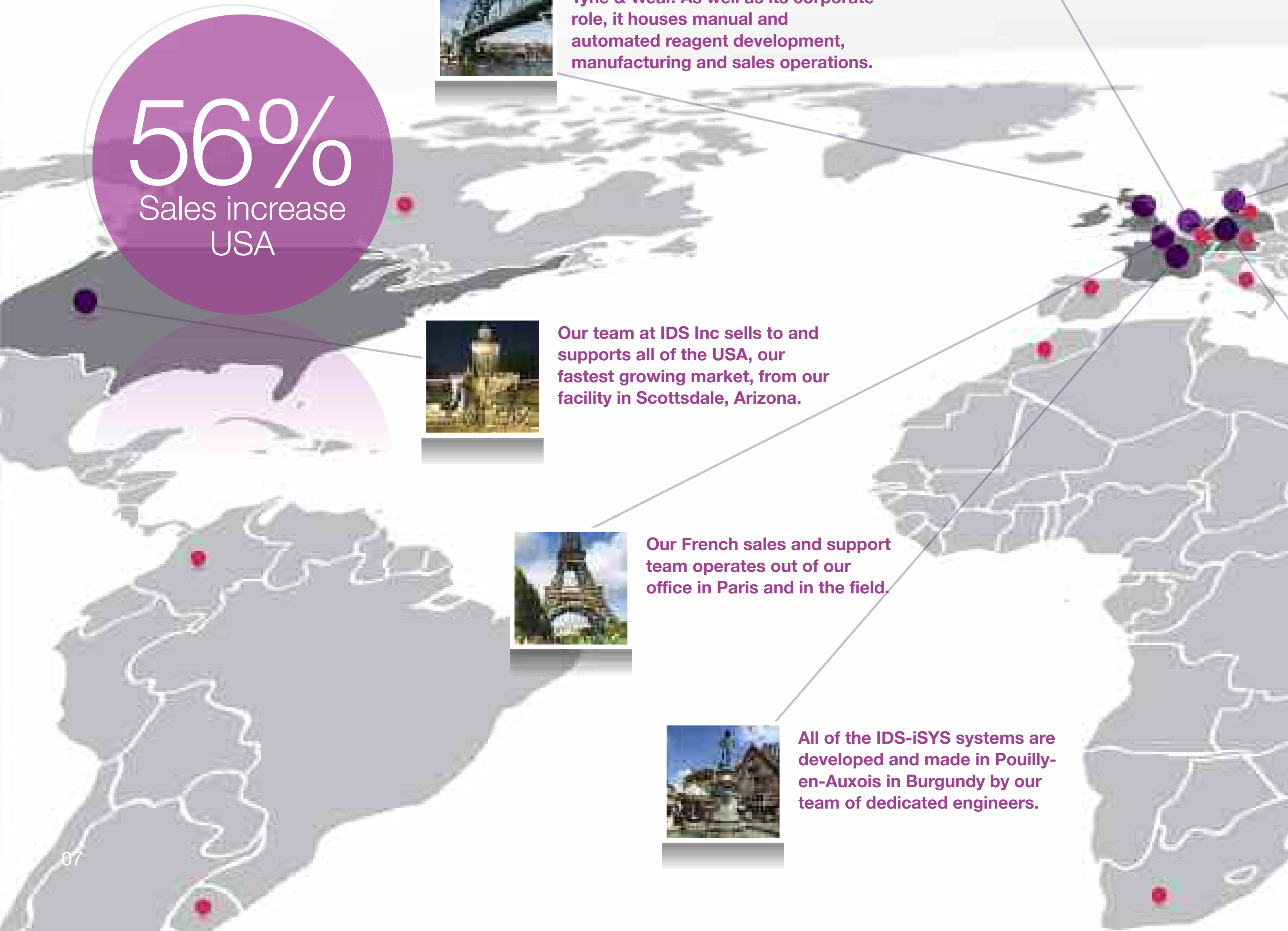
International expansion

IDS has its global headquarters in the UK and has subsidiaries in the USA, Germany, France and Denmark. Other markets, including the key diagnostic markets of Spain, Italy, Australia, Canada and Japan, are serviced by a network of highly qualified and experienced distributors within each territory.

The importance of an international presence to IDS is underlined by the fact that UK domestic sales account for only 5% of IDS' total sales. Although the European market currently provides the largest sales volume for IDS, contributing 42% of total IDS sales revenue, it is interesting to note that the biggest growth rates in sales value comes from markets outside Europe. It is anticipated that over the next decade this trend will continue. Emerging markets are expected to grow at 3 times the rate of developed markets in the forthcoming years. This is driven by population growth, rising incomes, modernisation of health systems and an increased focus on the treatment of chronic diseases. The sales revenue from export markets, utilising a variety of distribution partners, grew by 36% to £8.9m vs. prior year.
Of particular interest is the USA. Eyes are firmly fixed on the continued growth of the US market and its relative contribution to IDS' turnover. Sales from IDS Inc contributed 37% of total global sales revenue, rising from 32% in the prior year.

Our team in Liège is responsible for the development and manufacture of the IDS-iSYS test reagents.

Our head office is located in Boldon, Tyne & Wear. As well as its corporate role, it houses manual and automated reagent development, manufacturing and sales operations.



56%
Sales increase
USA

Our team at IDS Inc sells to and supports all of the USA, our fastest growing market, from our facility in Scottsdale, Arizona.

Our French sales and support team operates out of our office in Paris and in the field.

All of the IDS-iSYS systems are developed and made in Pouilly-en-Auxois in Burgundy by our team of dedicated engineers.

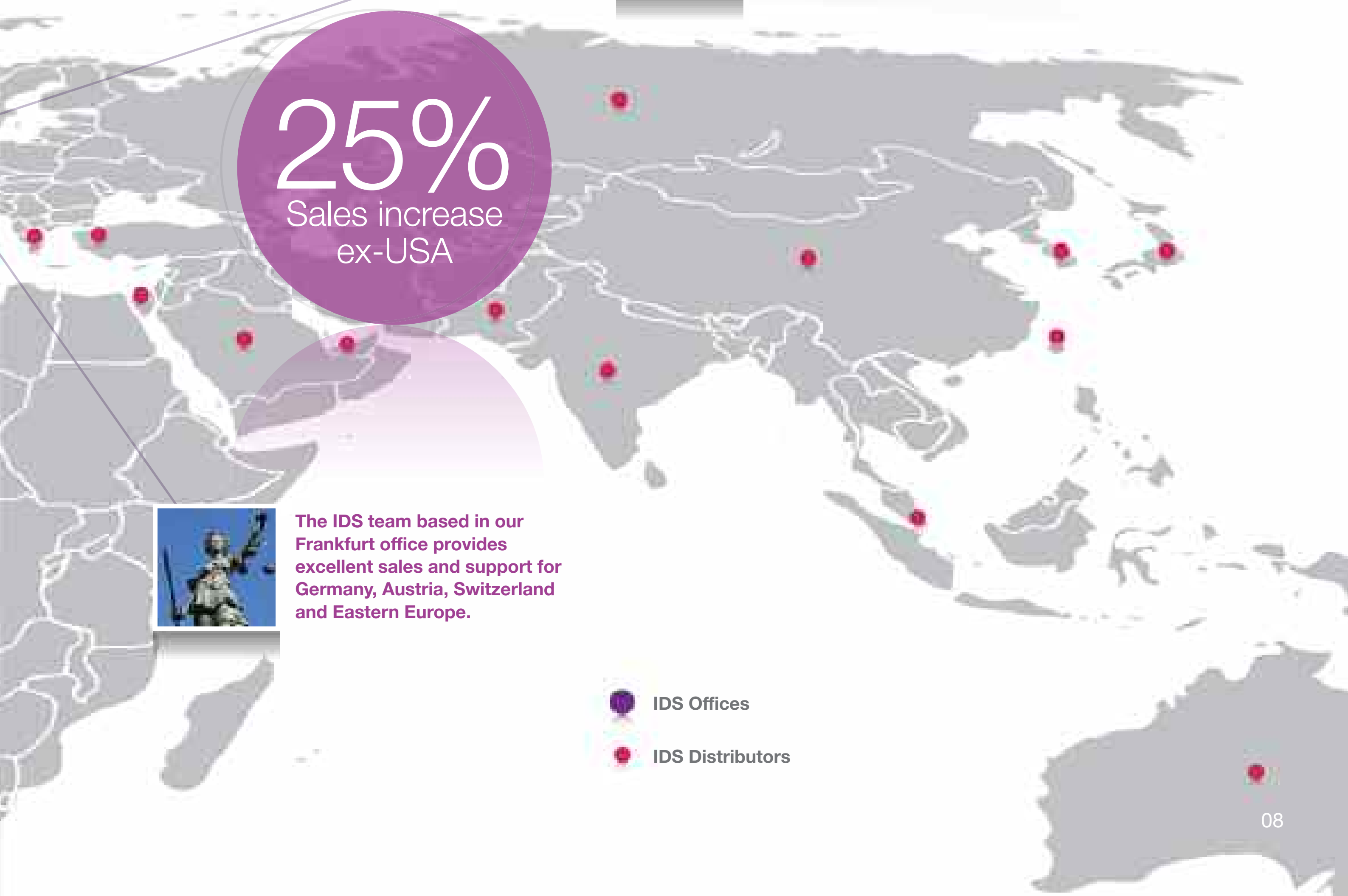
USA growth engine

Immunodiagnostic Systems Inc (IDS Inc) was established in January 2003 with the mission of providing customers easier access to IDS' manual kit products in the world's largest diagnostic market, increasing the Company's market penetration with direct sales representation and establishing local, technical support for US customers. With these capabilities in place, the Company was well positioned to benefit from the increased interest in clinical testing for vitamin D that emerged during 2006. By collaborating with companies who marketed and sold open-menu automated systems, IDS Inc competed effectively for vitamin D sales in small to medium sized laboratories. IDS Vitamin D became a familiar brand with these successes.

IDS-iSYS automation opened new opportunities for marketing IDS' products to large volume laboratories. In anticipation of FDA 510(k) clearance for the IDS-iSYS and automated 25-Hydroxy Vitamin D, IDS Inc increased its sales, technical support and field service organisations. Recognising the value that US customers put on service, IDS Inc recruited highly experienced and skilled technical professionals prior to FDA clearance. In addition to IDS Inc maintaining its strong position with the manual Vitamin D kit, the Company introduced the IDS-iSYS and captured new business.

IDS Inc has built a base of loyal customers who are convinced by IDS' product quality and unsurpassed service and support. Happy, satisfied customers are our best references in the highly competitive US market. As new IDS-iSYS products, such as human Growth Hormone, IGF-I and CTX-I, are cleared by the FDA for clinical sale, IDS Inc is already prepared for the growth these opportunities present.

Our small but enthusiastic team in Copenhagen provides sales and support to all of Scandinavia and the Baltic States.



The IDS team based in our Frankfurt office provides excellent sales and support for Germany, Austria, Switzerland and Eastern Europe.

"During the year all of the Group's manufacturing sites have been upgraded resulting in increased efficiency and reduced cost."

Operational efficiency

IDS Connect

IDS Connect is a transformational programme designed to further integrate the IDS Group into a highly responsive, efficient and scalable organisation. The programme is redefining core business processes and investing in leading mid-market information systems for Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and communications to create a truly connected business.

Over the next two years, a dedicated team will work with user representatives to transform many aspects of our business, with the major focus on Customer Service and After-Sales Support, Sales and Operational Planning, Production and Supply Chain Management, New Product Development and Financial Processes.

Plant improvements

During the year, all of the Group's manufacturing sites have been upgraded resulting in increased efficiency and reduced cost. At Pouilly-en-Auxois, France, where the IDS-iSYS systems and the plastic disposable cuvettes are produced, an additional cuvette assembly machine has been installed, doubling the capacity for cuvette production. The manufacturing workflow has also been reorganised increasing capacity and reducing stock holding and system assembly time. At Liège in Belgium where the IDS-iSYS reagents are produced the facility has been reorganised and upgraded to provide the manufacturing capacity required for future growth and at Boldon in the UK additional office and warehouse space has been secured.

Distribution

IDS has centralised distribution in Europe into two hubs, the first at our Boldon Head Office supporting our UK, Scandinavian and export customers. The second hub is in central Germany supporting our Eurozone customers and operated by a European market leading logistics expert. In the USA is a third hub in Scottsdale, Arizona from where our US customers are supported.

These hubs are able to offer coordinated supplies from our three production facilities to deliver a high level of customer service through reduced lead times and excellent standards of product handling. Operating through hubs also enables IDS to control stock levels and shelf lives more efficiently.

oneIDS

The IDS Group as it exists today is a composite of acquired companies, each with a long and proud history in diagnostics. The operational challenge for such a group is to integrate these affiliates in order to get the Group operating as a single entity. Communication is the key to meeting this challenge and this has led to the creation of the "oneIDS" strategy.

The oneIDS team is made up of representatives from each of the various sites and includes employees from different disciplines and of varying seniority. In 2010 an internal Group survey highlighted specific areas for oneIDS to focus their efforts on. The oneIDS team members liaise regularly to drive forward a variety of communications projects. A new survey, planned later this year, will tell us to what extent we have enhanced the integration across the Group and to what extent we are now "one IDS".

Our products

Automated Assay Menu

Calcium Metabolism	Healthy bone growth and bone remodelling is dependent on the body's ability to regulate calcium and phosphate. These in turn are regulated by the concentrations of parathyroid hormone (PTH), vitamin D that are circulating in the body.	• IDS-iSYS 25-Hydroxy Vitamin D • IDS-iSYS Intact PTH (Not available in the US) • IDS-iSYS PTH (1-34)** • IDS-iSYS Bioactive PTH (1-84)** • IDS-iSYS 1,25-Dihydroxy Vitamin D**
Bone Metabolism	Patients with bone diseases such as osteoporosis can be diagnosed and managed through the understanding of the balance between the formation of new bone by special cells in the bone called Osteoblasts and the breakdown of old bone by special cells in the bone called Osteoclasts. Measuring the proteins produced by these special cells in the bone make it possible to evaluate this constant process of bone-turnover.	• IDS-iSYS CTX-I (CrossLaps®) • IDS-iSYS Intact PINP (Not available in the US) • IDS-iSYS N-MID® Osteocalcin^ • IDS-iSYS BAP (Ostase® Bone Alkaline Phosphatase)^ • IDS-iSYS TRAcP 5b (BoneTRAP®)**
Growth	There are large numbers of hormonal, genetic and external factors that can cause abnormal growth. Typically growth disorders are often diagnosed too late for optimal care and treatment. Disorders in growth can manifest as short stature in children or continued growth after puberty.	• IDS-iSYS hGH (human Growth Hormone) • IDS-iSYS IGF-I (Insulin-like Growth Factor-I) • IDS-iSYS IGFBP-3 (Insulin-like Growth Factor Binding Protein-3)
Hypertension	1 in 3 people worldwide will develop hypertension (high blood pressure) regardless of age and gender. Classified as either primary (essential) or secondary, hypertension increases the risk of heart disease and stroke and can have damaging effects on almost every part of the body.	• IDS-iSYS Direct Renin** • IDS-iSYS Aldosterone** • IDS-iSYS Cortisol** • IDS-iSYS ACTH**
Cartilage Metabolism	Rheumatoid arthritis and Osteoarthritis are both common diseases characterised by the gradual destruction of cartilage. To improve the early diagnosis and effective treatment of these diseases, biochemical markers which are released into the patient's bodily fluids can be measured.	• IDS-iSYS CTX-II (CartiLaps®)**
Vascular Calcification	Inappropriate deposition of calcium in soft tissues gives rise to life-threatening conditions such as coronary artery calcification, a major cause of cardiovascular disease. Impaired renal function frequently gives rise to an imbalance in calcium and phosphate metabolism and matrix GLA protein appears to play an important role in the modulation of vascular calcification.	• IDS-iSYS mGLA**

* Research Use
** In Development
^ USA: For Research Use
Ostase® is a registered trademark of Hybritech Incorporated, a subsidiary of Beckman Coulter. Inc

Manual Assay Menu

- 25-Hydroxy Vitamin D
- 1,25-Dihydroxy Vitamin D

- BAP (Ostase® Bone Alkaline Phosphatase)
- Rat/Mouse PINP*
- N-MID® Osteocalcin
- Serum CrossLaps® (CTX-I)
- Urine CrossLaps® (CTX-I) (Not available in the US)
- Alpha CrossLaps® (CTX-I)^
- Urine BETA CrossLaps® (CTX-I)^
- RatLaps™ (CTX-I)*
- CrossLaps® for Culture (CTX-I)*
- Rat-MID® Osteocalcin*
- BoneTRAP® (TRAcP 5b)
- RatTRAP® (TRAcP 5b)*
- MouseTRAP® (TRAcP 5b)*

- Insulin-like Growth Factor-I (IGF-I)
- Insulin-like Growth Factor Binding Protein-3 (IGFBP-3)^
- Rat/Mouse Insulin-like Growth Factor-I (IGF-I)*
- Mouse Insulin-like Growth Factor-I High Sensitivity (IGF-I HS)*

- Serum Pre-Clinical CartiLaps® (CTX-II)*
- Urine Pre-Clinical CartiLaps® (CTX-II)*
- Urine CartiLaps® (CTX-II)^

- matrix GLA**

* Research Use
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"Our R&D expenditure for the year was up 8% to £4.0m (2010: £3.7m), which was in line with management expectations as we look to grow our automated product offerings."

IDS-iSYS product pipeline

	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013
Calcium Metabolism					
• IDS-iSYS 25-Hydroxy Vitamin D	✔ Launched (worldwide)				
• IDS-iSYS Intact PTH		✔ Launched (not USA)			
• IDS-iSYS PTH (1-34)**				✔ Expected launch date	
• IDS-iSYS Bioactive PTH (1-84)**				✔ Expected launch date	
• IDS-iSYS 1,25-Dihydroxy Vitamin D**				✔ Expected launch date	
Bone Metabolism					
• IDS-iSYS CTX-I (CrossLaps®)			✔ Launched (worldwide)		
• IDS-iSYS Intact PINP		✔ Launched (not USA)			
• IDS-iSYS N-MID® Osteocalcin		✔ Launched (not USA)			
• IDS-iSYS BAP (Ostase® Bone Alkaline Phosphatase)			✔ Launched (not USA)		
• IDS-iSYS TRAcP 5b (BoneTRAP®)**					✔ Expected launch date
Growth					
• IDS-iSYS hGH (human Growth Hormone)		✔ Launched (worldwide)			
• IDS-iSYS IGF-I (Insulin-like Growth Factor-I)		✔ Launched (worldwide)			
• IDS-iSYS IGFBP-3 (Insulin-like Growth Factor Binding Protein-3)			✔ Launched (worldwide)		
Hypertension					
• IDS-iSYS Direct Renin**				✔ Expected launch date	
• IDS-iSYS Aldosterone**				✔ Expected launch date	
• IDS-iSYS Cortisol**					✔ Expected launch date
• IDS-iSYS ACTH**					✔ Expected launch date
Cartilage Metabolism					
• IDS-iSYS CTX-II (CartiLaps®)**					✔ Expected launch date
Vascular Calcification					
• IDS-iSYS mGLA**					✔ Expected launch date

✔ Launched (worldwide) ✔ Launched (not USA) ✔ Expected launch date

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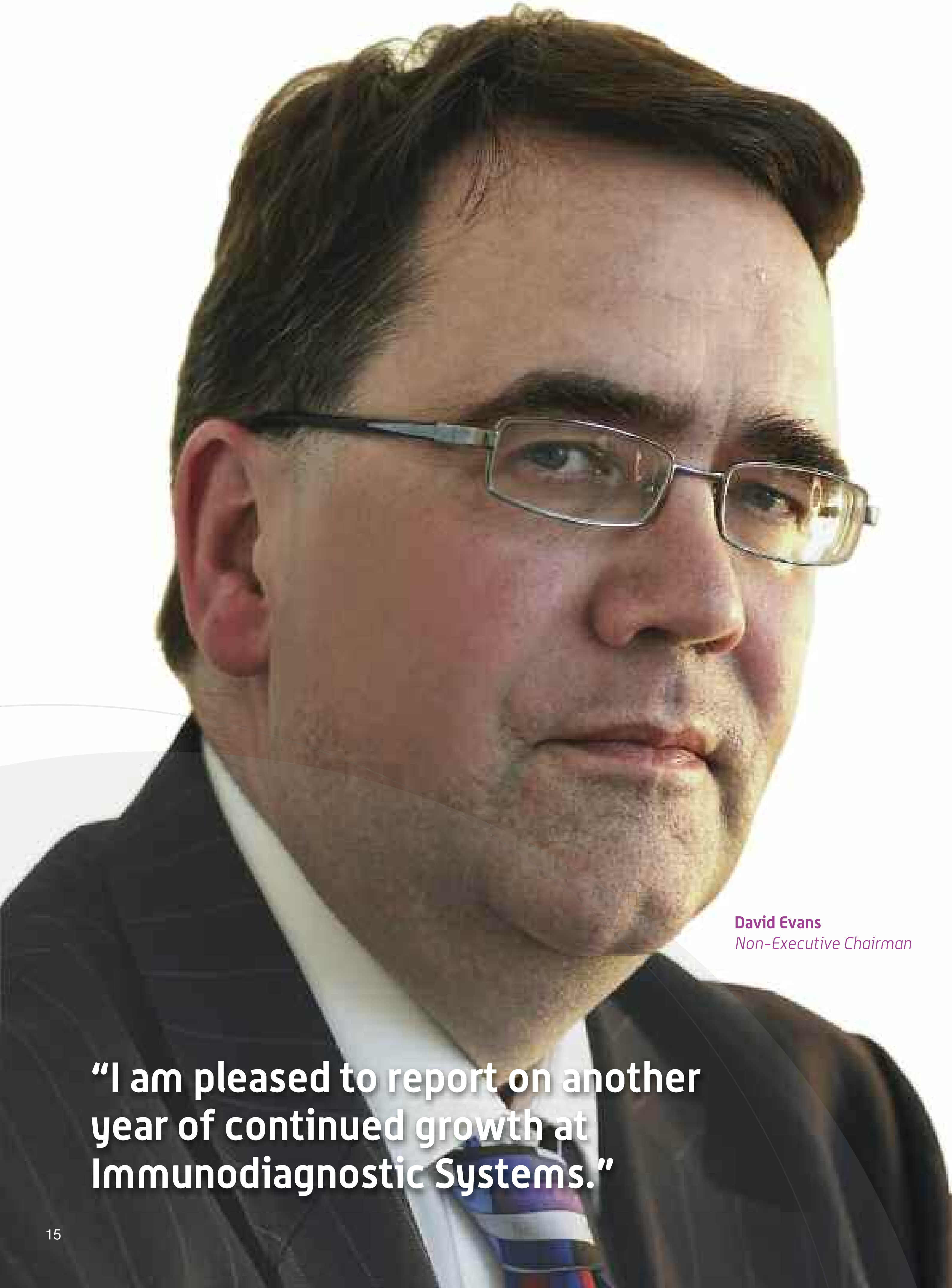


David Evans
Non-Executive Chairman

"I am pleased to report on another year of continued growth at Immunodiagnostic Systems."

Chairman's statement

Dear Shareholder,

I am pleased to report on another year of continued growth at Immunodiagnostic Systems.

Growth in Revenue, Gross Profit, EBITDA, PBT and Earnings Per Share have been achieved by the market's acceptance of the IDS-iSYS as a reliable and innovative system with a growing panel of enviable products designed for patient diagnosis. This, with the continued growth of our manual products, especially our Vitamin D range, has enabled the Group to progress along the path set by management.

Significant achievements

- Increased demand for all of our major products.
- Increased efficiencies from our manufacturing sites which have contributed towards our increase in profitability.
- Increased internal investment in the Group's infrastructure allowing better economies of scale.
- Increased average revenue per instrument resulting from our expanding product menu.
- Increase in the estate of IDS-iSYS placements throughout our direct territories as well as through our network of distributors.

Results

- Turnover has increased by 35% to £50.2m (2010: £37.2m) with increased revenues from the IDS-iSYS accounting for 60% of this growth.
- Gross profit has increased substantially during the period from £27.5m in 2010 to £37.5m in 2011, an increase of 36%.
- Operating profits increased by 52% from £11.3m to £17.1m.

EPS

Earnings per Ordinary Share have increased from 30.017p to 46.493p an increase of 55%. Fully diluted, the total increase is 54% (44.633p vs 28.926p).

Balance sheet

Current assets

- Cash and bank was up 21% to £6.4m (2010: £5.3m).
- Trade and other receivables increased from £10.8m to £11.7m reflecting our increased turnover.
- Inventories have increased from £6.4m to £8.5m reflecting our increased turnover and stock of automated instruments and components.

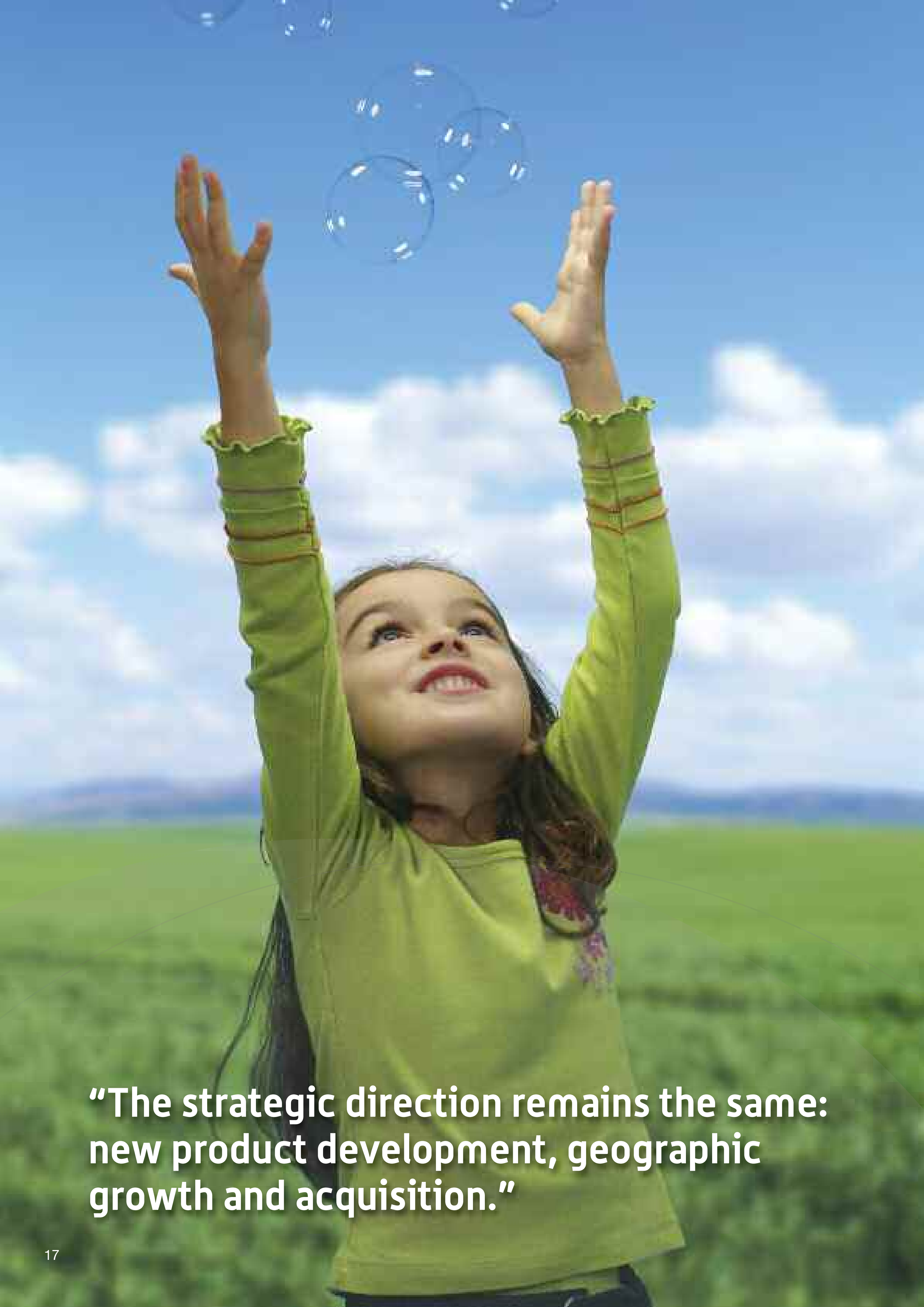
Liabilities

Bank borrowings have decreased from £11.2m to £6.4m. In March, the Company made an early repayment of circa €3m against its debt owed to Barclays Bank.

Direction and growth

Business integration continues at a pace and during the year we have increased our staff numbers by circa 20% to 294 employees, allowing us the flexibility required to meet the demands of our customers and grow our business in these challenging and uncertain times.

The strategic direction remains the same: new product development, geographic growth and acquisition. This strategy was amply demonstrated during the last twelve months with the launch of new automated IDS-iSYS products, the acquisition in October 2010 of MGP Diagnostics and direct sales into Benelux of our automated IDS-iSYS system. More of this progress is contained within the CEO's review.



“The strategic direction remains the same: new product development, geographic growth and acquisition.”

Board and Management

In the past year, the Board has looked to transition itself to the needs of the next phase of the Group's growth and development. There have been a number of changes put in place and more are planned over the coming year.

In October last year, we appointed Ian Cookson to be Group Chief Executive succeeding Dr Roger Duggan who had led the Group through an extraordinary period of growth. Ian was previously Chief Operating Officer and those key operational skills gained in that role have helped him to make the successful transition to CEO. Roger has taken on a new role both as Deputy Chairman and also as Business Development Director with specific responsibility for licensing.

The gap created by Ian's elevation has now been filled by the appointment of Michel Grandjean who has assumed the role of Operations Director. Michel has extensive operational experience in Life Science Manufacturing.

As we announced in May of this year, we strengthened our team of Non-Executive Directors with the appointment of Roland Sackers of QIAGEN. Roland has been a fundamental part of the QIAGEN team that has overseen its growth over the past decade to be one of the leading global life science companies. As well as joining the Board, Roland will chair the Audit Committee.

There are a number of planned changes that will take effect over the next year.

Firstly it is my intention to step down as Chairman at the time of the AGM in September 2011 and the extensive search process for my successor is nearing its completion. We expect to make an announcement in the near future.[1]

Secondly, our Group Finance Director Paul Hailes has indicated he wishes to pursue his career with Immunodiagnostic Systems in its North American operations and the search for his successor is underway.

Paul will continue in his present role until his successor is found.

These changes are necessary to ensure that the Company will have the maximum chance of successfully capitalising on the growth opportunities available and make the transition into an operation that is substantially larger than it is today whilst retaining its level of profitability.

Outlook

Again, trading for the first 3 months of the year is in line with management expectations and the directors believe that this is a direct result of the market acceptance of the IDS-iSYS and its increasing menu.

Q1 has seen revenues grow from £11.5m last year to circa £14.5m, an increase of 26% and in addition to revenue growth we have also accelerated the rate we sell or place our IDS-iSYS systems by more than doubling last year's Q1 number.

I look forward to updating you throughout the year on:

- additional product launches on the IDS-iSYS;
- regulatory submission and approval of our new automated products;
- expansion of our IP portfolio;
- leveraging our automated technology.

Finally, the growth we have experienced over the last 12 months could not have been achieved without the total commitment of our global workforce and the continued support of our shareholder base and I would formally like to record my thanks to both groups.

David Evans
Non-Executive Chairman
24 June 2011

[1] On 25th July 2011 it was announced that Dr Anthony Martin will be appointed as Chariman and Non-Executive Director.

Ian Cookson
Chief Executive Officer

"We have grown both revenues and profit but most importantly the year saw the IDS-iSYS come of age."

CEO's review

Market review

The IDS Group has had a successful year. We have grown both revenues and profit but most importantly the year saw the IDS-iSYS come of age. Overall IDS-iSYS revenue increased by 282% to £10.4 million and the assay menu, outside the US market, grew to 9 assays.

As well as placing a further 81 systems through our direct sales operations we sold 35 systems to our distributors and 51 systems to our OEM partners. This brings the total number of IDS-iSYS systems placed or sold to 241 units from its launch in February 2009.

Vitamin D continues to be our most important product. We believe that the demand for vitamin D testing will continue to grow, albeit at lower growth rates than seen over in recent years (70+ % CAGR). We estimate the market will more than double in size over the coming 5 years. Our total Vitamin D sales increased 46% to £33.5 million, including over £5.6 million of IDS-iSYS Vitamin D revenues; manual Vitamin D assay revenues increased by 27%.

As anticipated a number of new competing vitamin D assays came to the market during the year. The quality of our manual assays and the size and versatility of the IDS-iSYS have allowed us to grow our vitamin D revenues despite the increased competition. Expanding the menu of specialist assays on the IDS-iSYS system is a key part of our strategy and the higher number of assays available on the system has broadened its appeal with an increasing proportion of our direct customer base now running other tests in addition to vitamin D. The good technical performance of the IDS-iSYS assays, the reliability of the IDS-iSYS systems and the high level of customer service and support we provide have enabled us to place systems in all sectors of the market, from small private laboratories to large reference laboratories. We have been particularly successful at installing systems in locations that have previously been sending samples out to other laboratories for testing.

Our major direct sales operations showed strong growth during the year with the US recording growth of 56% to £18.7 million, France 29% to £10.1 million and Germany 31% to £6.0 million. Towards the end of the year we established a further direct sales operation for the IDS-iSYS covering the Benelux countries and have already made strong sales into this territory.

Sales through our network of distributors grew by 36% to £8.9 million, including nearly £2.5 million of IDS-iSYS systems and reagents. Although still relatively small, sales in China and India grew by 46% and 169% respectively.

In March 2011, we agreed terms with Omega Diagnostics plc allowing them to develop and market a range of allergy assays on the IDS-iSYS. As well as receiving licence payments we will sell them IDS-iSYS systems and consumables and receive a royalty on their allergy reagent sales.

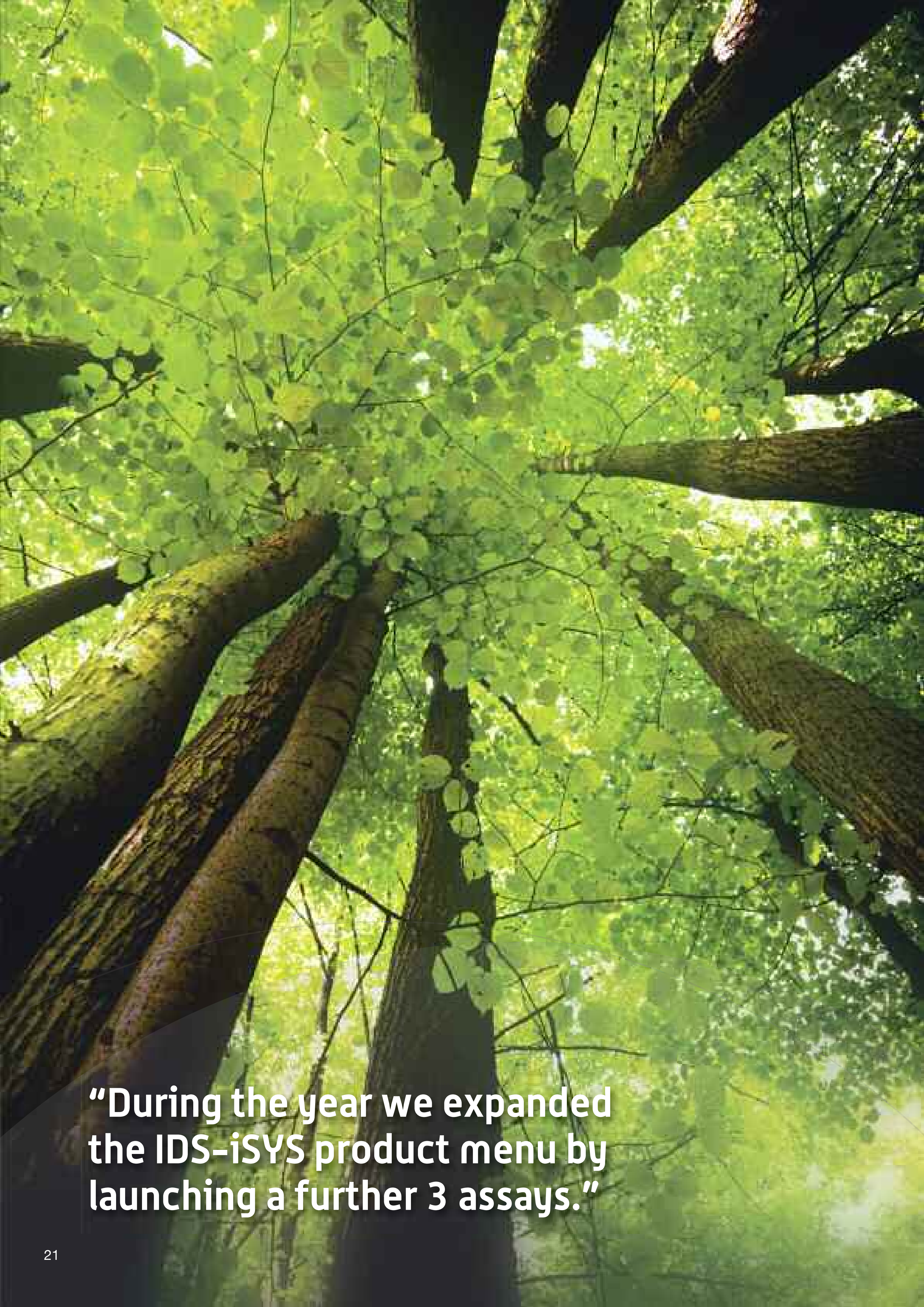
People

To meet the demands placed on our growing business we have recruited a further 50 people during the period bringing the total to 294. During this time we have been able to slightly improve our gross margin (74.7% vs. 74.1%) and decrease our percentage overhead costs to 40.5% of turnover (2010: 43.7%).

The majority of the recruitment has been in direct manufacturing, particularly in Liège, where we make the IDS-iSYS reagents and in sales and sales support roles, particularly in the USA where we have grown total head count from 8 to 32 people to exploit the opportunity the US market represents.

Infrastructure

During the year, we have made improvements to all 3 of our manufacturing sites. In Pouilly-en-Auxois in France we introduced lean manufacture techniques and increased the capacity for producing IDS-iSYS instruments. We also installed a second assembly line for the disposable cuvette used by the instrument and made other improvements to the facility. In Liège in Belgium, there have been significant changes to improve the capacity and workflow for IDS-iSYS reagents (up by 232% compared to the previous year) and further automation is planned for this site. In the UK, we have leased a neighbouring building to accommodate a 17% increase in manual product unit output and additional head office functions.



"During the year we expanded the IDS-iSYS product menu by launching a further 3 assays."

Product development

During the year, we expanded the IDS-iSYS product menu by launching a further 3 assays. CTX-I (otherwise known as CrossLaps®), launched in July 2010 and Ostase® Bone specific Alkaline Phosphatase (BAP), launched in March 2011, are both useful in the management of metabolic bone disease and postmenopausal osteoporosis. This brings the current bone panel to 5 assays, the most comprehensive of any diagnostic assay provider and allows the simultaneous determination of vitamin D and PTH (which control calcium) along with biomarkers of bone formation (PINP Osteocalcin and BAP) and bone resorption (CTX-I) in the same patient sample.

We also launched our assay for Insulin-like Growth Factor Binding Protein 3 (IGFBP-3) completing the IDS-iSYS Growth Panel developed in conjunction with Professor Martin Bidlingmaier of the University of Munich. When used alongside the results obtained using the IDS-iSYS human Growth Hormone (hGH) and Insulin-like Growth Factor-I (IGF-I) assays, the test is useful in the diagnosis of growth hormone-related disorders. All 3 IDS-iSYS growth factor panel assays are now available in the USA, as is the CTX-I assay.

Acquisitions

It is our aim to expand our product menu by a combination of organic development, licensing agreements and acquisitions. In October, we completed the acquisition of MGP Diagnostics AS, which owns the patent rights to a unique biomarker, Matrix GLA protein (mGLA). There is growing evidence that mGLA is a controlling factor in the inappropriate calcification of soft tissues such as the carotid arteries and heart valves, which in turn plays a significant role in cardiovascular disease. Patients suffering from chronic kidney disease (CKD) and those on dialysis commonly develop some degree of coronary artery calcification. The availability of a biomarker such as mGLA for early diagnosis and monitoring of therapy will provide a valuable tool to cardiovascular and renal physicians.

Management team

Since the year end, I am pleased to report the appointment of Michel Grandjean, previously of Patheon and Hoechst Roussel, as our new Operations Director. Michel will play a key role in the continuing upgrading of our manufacturing systems and facilities, particularly the introduction of a new ERP system for the group.

You will have read in the Chairman's statement that David Evans and Paul Hailes have decided to leave the Board of IDS, although I am pleased to say Paul will remain within the Group. Together with my predecessor Roger Duggan they have made IDS the company it is today. Through the flotation of the company and the strategic acquisitions they have executed, IDS has become a key specialist diagnostics company with a strong base for further growth. I have known and worked with them both for many years and wish them both well for the future. Roger of course remains very much a part of the business as Deputy Chairman and as the leader of the Business Development Group. This Group will identify and bring to the Company the key biomarkers that will ensure our leadership position in our selected areas of activity.

During the year, we achieved our key operational objectives and made satisfactory progress in the development of our business. We have set ourselves demanding targets for the new financial year. We will expand both our IDS-iSYS product range and our customer base. We expect to enter into new distribution arrangements in developing territories to broaden our geographic presence and finally we will continue to look for appropriate investment opportunities to grow our company. All at IDS are committed to deliver on these targets and continue to enhance shareholder value.

Ian Cookson
Chief Executive Officer
24 June 2011

Paul Hailes FCCA
Finance Director

"Turnover increased by 35% to £50.2m (2010: £37.2m). Our European Group companies have enjoyed a 25% increase in annual sales this year compared to a 56% growth in the USA."

Financial review

Financial highlights

Together, the increase in sales of our manual Vitamin D range of products and the growing acceptance and hence increase in sales of our automated IDS-iSYS products has significantly contributed towards this year's growth. Whilst all subsidiary companies have benefited from this, it is our US subsidiary which has once again achieved the highest percentage growth. Average annual revenue per IDS-iSYS system has increased by £25,000 to £102,000 (2010:£77,000) and a major contribution towards this growth has been from accounts secured in the USA which tend to be larger in size than we typically have elsewhere.

Turnover

Turnover increased by 35% to £50.2m (2010: £37.2m). Our European Group companies have enjoyed a 25% increase in annual sales this year compared to a 56% growth in the USA.

Gross margin

Gross margin increased slightly during the year to 74.7% (gross profit £37.5m) from 74.1% in 2010 (gross profit £27.5m).

Operating costs and profits

Our R&D expenditure for the year was up 8% to £4.0m (2010: £3.7m) which was in line with management expectations as we look to grow our automated product offerings and invest resources into developing newly acquired intellectual property gained from the acquisition of MGP Diagnostics.

Distribution and administrative expenses increased by £4.1m to £20.3m compared to £16.2m in 2010. This increase was expected as we support the roll out of the IDS-iSYS.

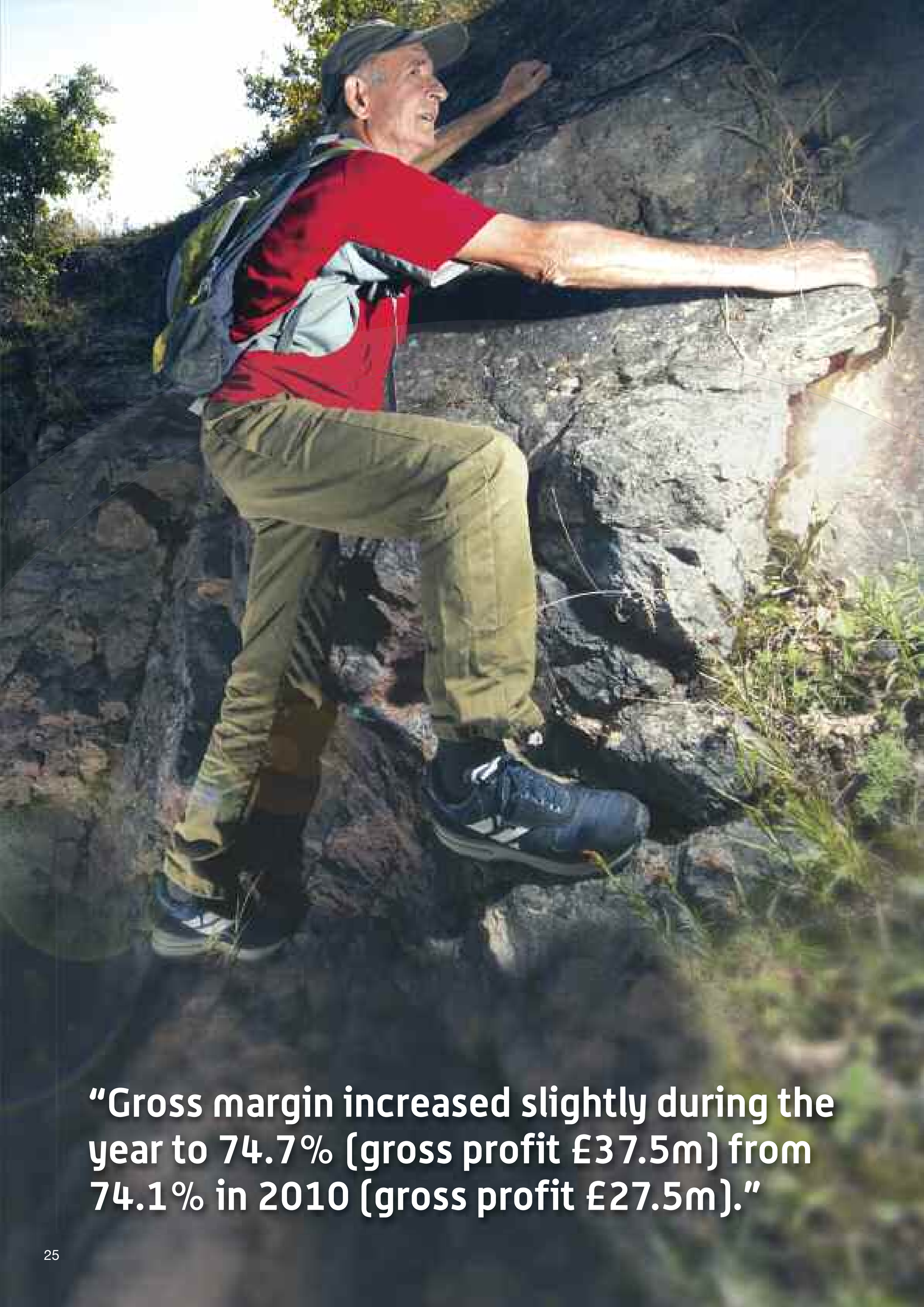
The charge for depreciation and amortisation of intangibles was £3.8m compared to £3.4m in 2010 and is in line with management expectations.

EBITDA

The Group reported an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) from £15.0m to £21.0m, an increase of 40%.

Turnover by product area

Year ending 31 March	2011 £000	2010 £000	Change
Manual Vitamin D	27,863	22,000	26.65%
Octeia	2,181	2,053	6.23%
Gamma B	766	167	358.68%
Other	1,939	1,048	85.02%
Automation	10,357	2,714	281.61%
Total of IDS products	43,106	27,982	54.05%
Distribution of third-party sales	1,690	2,040	-17.16%
Nordic Bioscience	3,884	4,003	-2.97%
Biocode Hycel	1,484	3,133	-52.63%
Total Sales	50,164	37,158	35.00%



"Gross margin increased slightly during the year to 74.7% (gross profit £37.5m) from 74.1% in 2010 (gross profit £27.5m)."

Balance sheet

The Group's non-current assets at 31 March 2011 were £73.2m (2010: £61.2m) which consisted of property, plant and equipment of £8.3m, intangible assets of £57.9m, investments of £0.2m and deferred tax of £6.8m. Intangible assets principally relate to the patents and goodwill acquired on acquisitions.

Inventories have increased to £8.5m (2010: £6.4m) and receivables have increased to £13.0m (2010: £11.4m) while current liabilities have increased to £12.1m (2010: £10.0m). Non-current liabilities have increased to £14.9m (2010: £13.3m).

The Group's net debt was significantly reduced during the year, down £5.9m to £0.1m (2010: £6.0m) and this was after the acquisition of MGP Diagnostics in October 2010. The group also elected to repay almost €3m of debt in March which will lower finance charges going forward.

Dividend policy and dividend

The Board is proposing a dividend for the year of 2.5p (2010: 2.0p) subject to the approval of shareholders at the Annual General Meeting. The dividend per share will be paid on 29 September 2011 to shareholders on the register at the close of business on 2 September 2011.

Financial performance

The Group has produced another year of growth in sales and profitability as well as geographical expansion, with a direct sales presence for our automated products in Benelux. Interestingly, the number of invoices issued during the year has fallen slightly and this reflects the reduction in our biochemistry business which we inherited when we acquired Biocode Hycel in 2007 – this business consists of a relatively high number of small orders which has generated a lower gross margin than that enjoyed elsewhere within the Group. We have successfully reassigned some of the resources historically allocated to biochemistry to IDS-iSYS reagent production.

Our progress on our strategic objectives is monitored by the Board of Directors by reference to 6 performance indicators applied on a Group-wide basis. The Group's performance for 2011 and 2010 is shown below:

Financial KPI	2011	2010	Variance
Annual increase in sales	35.00%	49.00%	-14.00%
Net number of invoices issued	19,765	19,886	-0.61%
Gross Margin	74.66%	74.05%	0.61%
Profit after tax	25.90%	21.73%	4.17%
Basic earnings per share	46.493p	30.017p	16.476p
Diluted earnings per share	44.633p	28.926p	15.707p

Paul Hailes
Finance Director
24 June 2011

The Board of Directors

Ian Cookson MSc (aged 57)
Chief Executive Officer

Ian brings more than 20 years of experience gained in senior appointments within the in vitro diagnostics (IVD) industry both in the UK and overseas and a skill to progress strategic plans of IDS. Joining IDS as Operations Director from Axis-Shield plc, where he was Managing Director of their Dundee-based Laboratory Division, Ian became COO in 2008 and succeeded Roger Duggan as CEO in October 2010.

Roger Duggan PhD (aged 62)
Deputy Chairman & Business Development Director

Roger joined RIA (UK), the forerunner of IDS, in 1981. Within IDS, he has held the positions of Development Scientist, Laboratory Manager and Scientific Director, becoming Managing Director, later CEO, following a management buy-out in 1996. Roger also sits on the boards of PeriNatal Diagnostics Limited, PalindromX Limited and Pyrronostics Limited. He stepped down as CEO in October 2010.

Martha Garrity PhD (aged 50)
Technical Director

Martha joined IDS after 11 years in Research and Development at Nichols Institute Diagnostics as Senior Scientist, Manager and Director, responsible for development and launch of automated speciality assays in the areas of bone, growth and hypertension. She has a wealth of experience in the assay technologies employed by IDS.

David Evans BCom., CA, MBA (aged 51)
Non-Executive Chairman

David has considerable expertise within the diagnostic industry. As Financial Director, he was a key member of the team that floated Shield Diagnostics Group plc with Axis Biochemicals ASA of Norway in 1999 to create Axis-Shield plc. He is currently involved in a non-executive capacity with several other companies.

Burkhard Wittek PhD, MBA (aged 59)
Non-Executive Director

Burkhard holds an MBA from Harvard Business School. After working for Dresdner Bank AG, he spent 13 years with The Boston Consulting Group where he was a senior partner. In 1990, he founded FORUM Family Office making long-term investments in German private equity and European small and midcap situations.

Alain Rousseau (aged 60)
Engineering Director

Alain joined IDS following the Biocode Hycel acquisition, where he served as CEO and developed the automated platform which is now the IDS-iSYS. Previously, as Head of Instrumentation for the well-known Diagnostica Stago, he developed their entire instrumentation product line. He has filed for over 30 patents during his career.

Paul Hailes FCCA (aged 48)
Finance Director

Paul gained experience with Bowater plc and Courtaulds plc before joining IDS in February 1993. Paul is also a Director and/or Company Secretary in PeriNatal Diagnostics Limited, PalindromX Limited and Pyrronostics Limited.

Tony Wilks (aged 50)
Sales & Marketing Director

Living for 20 years in Germany and with 25 years experience in European sales and marketing of diagnostic products, Tony brings a wealth of experience in international sales to IDS. Tony joined IDS in February 2005 from Nichols Institute Diagnostics GmbH where he served as Managing Director of European Operations.

Eddie Blair PhD, MBA (aged 52)
Non-Executive Director

Following a research career in virology at the MRC, UK and University of California, Eddie spent 15 years in the pharmaceutical industry including the position of Therapeutic Adviser to the GlaxoWellcome Predictive Medicine Group, before becoming a director of clinical diagnostics at GlaxoSmithKline plc. He is currently a director of Integrated Medicines Limited.

Patrik Dahlen PhD (aged 49)
Non-Executive Director

Patrik became Chief Executive Officer of Neurosearch in September 2010. Previously he has been CEO of Chempaq A/S, a Point of Care diagnostics company, CEO of Dako A/S, CEO of BioImage, Senior VP of Perkin-Elmer Inc and President of Perkin-Elmer Life Sciences. He is Chairman of Olink Biosciences and Sophion Biosciences, 2 private biotechs based in Scandinavia.

Senior management








Kenneth Gibbs (aged 66)
CEO and Managing Director - USA

Kenneth is a senior executive with more than 35 years professional experience in pharmaceutical and medical devices sales, marketing, business development and management. He has US and international experience with multinational corporations as well as emerging technology companies. Kenneth joined IDS in January 2003 and formed IDS Inc.

Ed Coombes BSc (aged 40)
Country Manager - France

Ed graduated in International Management Science and Modern Languages at the University of Bath. After a year with Price Waterhouse in Paris, he settled in France permanently in 1995 where he worked in new technology companies. Ed was behind the creation of Netlink in 1998 and Oxford Biosystems France in 2002. He established IDS EURL in October 2005.

Dennis Djan (aged 49)
Group Marketing Manager

Dennis joined IDS in October 2009. Prior to the last 4 years spent in the medical devices arena mainly as EMEA Product Director, Dennis spent 14 years at Abbott Diagnostics serving international assignments in Germany as EMEA Business Development Manager and prior to that in Southern Africa responsible for establishing new markets.

Rudolf Schemer PhD (aged 50)
Country Manager - Germany

Rudolf gained his doctorate (PhD) from the University of Hohenheim, Germany, before joining Nichols Institute Diagnostics in technical sales. He progressed in Sales and Marketing then European Marketing Management before becoming Country Manager (Germany, UK, Ireland, Netherlands, Austria and Switzerland) after successfully placing over 150 fully-automated immunoassay systems.

Dagmar Kasper PhD (aged 45)
Country Manager - Northern Europe

Dagmar undertook doctoral studies in biochemistry at the Georg-August University, Germany. Following post-doctoral research at the University of Hamburg, she joined Nordic Bioscience Diagnostics (NBD) as International Product Manager, becoming Head of Sales & Marketing in 2004. She later moved to the USA spearheading direct sales operations and developing strategic alliances for NBD.

Guy Pirens (aged 61)
Site Manager - Liège, Belgium

Guy started his career developing immunoassays for the Liège University Clinical laboratory. He was involved in clinical and hormone reference validation studies. Guy participated in the establishment of spin-off companies from Liège University. He is now the Liège site manager responsible for the development and production of immunoassays for the IDS-iSYS analyser.

Barry Hextall ACMA, MBA (aged 43)
IDS Ltd Country Manager & IDS Group Deputy Finance Director

Barry joined IDS in April 2009 as Deputy Finance Director with Country Management responsibility for the UK. Barry gained experience with ICI, Zeneca and Ernst & Young. He has considerable senior management and executive experience, including the management of major investment projects.

Jean-Marc Valentin (aged 59)
Site Manager - Pouilly, France

Jean-Marc is responsible for the IDS-iSYS manufacturing site in Pouilly. He joined Biocode Hycel in 1975 and became part of IDS as a result of the acquisition in 2007. He has a wealth of experience in manufacturing, customer service and production methods.

Directors' report

The Directors submit their report and audited financial statements of the Company and of the Group for the year ended 31 March 2011.

Immunodiagnostic Systems Holdings PLC is a public listed parent company, incorporated and domiciled in England and quoted on the Alternative Investment Market (AIM).

Principal activities

The principal activity of the Group during the year under review was that of manufacturing and distributing medical diagnostic products. The Group is also actively involved in research and development projects.

Review of the business and future developments

These are dealt with in the Non-Executive Chairman's Statement, the Financial Review and the Chief Executive Officer's Review.

Results and dividend

The Group's profit on ordinary activities after tax for the year was £13.0m. The Directors have recommended a dividend of 2.50p per ordinary share.

Research and development

Research and development projects continue in the areas of bone and cartilage biomarkers, growth, hypertension and vascular calcification and the Group has increased the number of employees working within these areas.

The Directors and their interests in the shares of the Company

The Directors who served the Company during the year together with their beneficial interests in the shares of the Company were as follows:

	Position	Class of share	At 31 March 2011 No.	At 31 March 2010 No.
Dr R T Duggan	Deputy Chairman and Business Development Director	£0.02 Ordinary shares	**1,526,187**	2,276,187
Mr P Hailes	Finance Director	£0.02 Ordinary shares	**540,689**	1,111,378
Dr M L Garrity	Technical Director	£0.02 Ordinary shares	**-**	-
Mr A Wilks	Sales and Marketing Director	£0.02 Ordinary shares	**-**	58,820
Mr A Rousseau	Engineering Director	£0.02 Ordinary shares	**25,584**	50,584
Mr C I Cookson	Chief Executive Officer	£0.02 Ordinary shares	**11,538**	11,538
Mr D E Evans	Non-Executive Chairman	£0.02 Ordinary shares	**157,450**	522,458
Dr E D Blair	Non-Executive Director	£0.02 Ordinary shares	**-**	-
Dr B Wittek	Non-Executive Director	£0.02 Ordinary shares	**-**	-
Dr P O Dahlen	Non-Executive Director	£0.02 Ordinary shares	**8,250**	8,250

All Directors served throughout the year.

Mr R Sackers was appointed as a Director on 1 June 2011.

The Executive Directors have options granted to them under share option schemes; details are included within note 36 of the attached financial statements.

Directors indemnity

Every director shall be indemnified by the Company out of its own funds.

Substantial shareholdings

The Directors have been notified or are aware that the following are interested in 3% or more of the issued ordinary share capital of the Company as at 13 June 2011.

	Number of ordinary shares of 2.0p each	Percentage of issued share capital
Forum Venture Capital	6,504,364	23.03%
Black Rock, Inc.	2,169,629	7.68%
Schroder Investment Managers	1,649,805	5.84%
Standard Life	1,606,310	5.69%
Dr R T Duggan	1,526,187	5.40%
Brewin Dolphin	1,093,733	3.87%
Old Mutual Asset Managers	958,101	3.39%

Policy on the payment of creditors

It is the Company's policy to ensure all creditors are paid in full within the agreed terms of business. Trade creditors of the Group at 31 March 2011 were equivalent to 58 days purchases, based on the average daily amount invoiced by suppliers to the Group during the year.

Disabled persons policy

The Company and the Group recognise and accept their responsibility to ensure that full and fair consideration is given to the employment of disabled persons. Where an individual's abilities and aptitude are recognised as suitable, appropriate training will be arranged to develop the skills of the individual and further their career within the Company and the Group.

Employee involvement

An open forum within the Company and the Group is encouraged where staff may come forward with ideas, concerns and suggestions and where the Company and the Group can discuss matters concerning employees.

Immunodiagnostic Systems Limited has again been credited with the Investors in People award.

Environmental policy

Our environmental policy is summarised as follows:

The Group's main objective is to provide customers with products that meet their requirements with respect to fitness for use, reliability, delivery and value for money and ensuring that we comply with the pertinent regulatory standards associated with our industry. In particular:

- the Group is committed to the development and sustainability of its business, whilst minimising any adverse impact on the environment caused by its operations;
- the Group will promote good practices to ensure that the organisation will comply with all regulatory and legislative requirements and at the same time look to continually improve on how we can reduce any adverse impact on the environment;
- the Group will continue to motivate staff to be environmentally aware.

The Group's main operation is within the in vitro diagnostic (IVD) testing industry, supplying test kits to hospital and research laboratories. Most of our tests are carried out on blood or urine samples and are based upon immunoassays involving an antibody-antigen reaction and use antibodies and other well-established common reagents that can be readily acquired. Materials are sourced from reputable manufacturers and suppliers and are handled according to their relevant instructions or legislation. All human, biological and radioactive materials used at our premises are treated as hazardous waste which is collected and disposed of by specialist contractors.

We have a recognised Group Health, Safety and Environmental Manager who undertakes regular audits of our compliance and chairs a Health and Safety committee which meets regularly throughout the year. We also produce products to the levels of Good Manufacturing Practice (GMP) required by the United States Food & Drug Administration (FDA) and European IVD Directive.

Charitable contributions

Contributions to charitable organisations amounted to £11,222 (2010: £4,596) and can be analysed as follows:

Gift of products to colleges and universities	£4,896
Other	£6,326

Financial instruments

As sales through our subsidiary companies continue to positively impact on turnover, profitability and cash flow, we continue to monitor and manage our exposure to external pressures that may affect our performance by monitoring our customer and key supplier contracts as well as looking to offset any exchange risk through matching liabilities with corresponding assets. Pricing and credit issues do not appear to be a significant problem as the majority of sales income is generated through subsidiaries who deal directly with end users and are able to maintain very good relationships with respect to pricing and credit control. Note 37 gives information on foreign currency exposures.

Related party transactions

Transactions occurring with associated undertakings are detailed in note 29 of the financial statements.

Annual General Meeting

The Company's Annual General Meeting will be held on Thursday 8th September at 3:00pm at the offices of Brewin Dolphin Limited, 12 Smithfield Street, London EC1A 9BD.

Auditors

A resolution to re-appoint Baker Tilly UK Audit LLP as auditors for the ensuing year will be proposed at the Annual General Meeting.

Statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that they have taken all requisite steps to make themselves and their auditors aware of relevant audit information. This includes information of which the Directors are aware, but which the auditors have not specifically requested, or may indeed have no knowledge of.

By order of the Board

David Evans
Non-Executive Chairman
24 June 2011

Corporate governance report

The Combined Code, appended to the Listing Rules of the Financial Services Authority, is intended to promote the principles of openness, integrity and accountability. The Company fully supports these principles and although not required to do so, the Directors have decided to provide Corporate Governance disclosures.

The Board formally adopted the principles of good governance set out in the Combined Code. However, in view of the size and nature of the Group, the Directors have taken into consideration the Guidance for Smaller Quoted Companies on the Combined Code, produced by the Quoted Companies Alliance. The Company's governance policies already in place match closely the position set out in the Combined Code.

Narrative statement

Directors

As at the Group's year end 31 March 2011, the Board comprised of six executive directors, a non-executive chairman and three other non-executive directors. Details of the current directors are set out on pages 27-28. The composition of the Board is designed to provide an appropriate balance of executive, financial, technical and commercial experience and skills and will be reviewed regularly. The Board look to meet in a formal manner on a monthly basis at the head office in Boldon, Tyne and Wear and elsewhere with additional meetings held as required.

Summary of board meetings attended in the 12 months to 31 March 2011.

Fourteen board meetings were held in the year to 31 March 2011.

Director	Meetings attended	Meetings eligible
Dr Roger Duggan	14	14
Mr Paul Hailes	14	14
Mr David Evans	12	14
Mr Antony Wilks	14	14
Dr Martha Garrity	13	14
Mr Ian Cookson	14	14
Mr Alain Rousseau	12	14
Dr Eddie Blair	14	14
Dr Burkhard Wittek	12	14
Dr Patrik Dahlen	8	14

It is the responsibility of the Company Secretary to ensure that the Directors receive all of the information necessary for the effective performance of their duties. In the furtherance of their duties, the Directors have access to the advice and service of the Company Secretary and are permitted to take independent professional advice where necessary and to undertake any training considered appropriate, both at the Company's expense.

The Chairman, David Evans, did not meet the independence criteria required by paragraph A.3.1 of the Combined Code on appointment. The Chairman also has a number of other non-executive directorships, details of which are shown below. The Chairman is responsible for the running of the Board.

The Executive Directors are Paul Hailes, Antony Wilks, Martha Garrity, Roger Duggan, Alain Rousseau and Ian Cookson, who is also the Chief Executive Officer. The Board considers Patrik Dahlen and Edward Blair to be independent.

The Board has overall responsibility for determining and directing the Group's corporate strategy. This is achieved through consideration and approval of the annual business plan and financial strategy and through the monitoring and discussion of financial results and corporate matters, including the exposure to key business risks and the results of individual trading subsidiaries, their annual budgets and financial strategy, at regular Board meetings.

Patrik Dahlen has been identified as the Senior Independent Director as required by the Combined Code.

Chairman's commitments

The Chairman has the following non-executive directorships:

Omega Diagnostics Group plc
Epistem Holdings plc
Onyx Scientific Limited
Scancell Limited
Marine Biotech Limited
Scancell Holdings plc
EKF Diagnostics plc (formerly International Brand Licencing (IBL) plc)
Momentum Biosciences Ltd
Rosnes Ltd – appointed August 2010
Sirgen Ltd – appointed October 2010
Cytox Ltd (appointed November 2010, resigned December 2010, appointed December 2010)
Venn Life Sciences Ltd – appointed in April 2010
BBI Holdings Ltd – appointed March 2011
Diagnostics Capital Ltd – appointed June 2011
Lochglen Whisky Ltd – appointed August 2010
St. Andrews Golf Art Ltd – appointed April 2010
Horizon Discovery Limited – appointed October 2010
Spectrum Limited – appointed May 2011

The Chairman ceased to be a non-executive director of:

Quotient Diagnostics Limited – resigned May 2010
Bgenuine Tech KK (succeeds Secure Design KK) – resigned June 2011

All other non-executive directorships were held throughout the year.

Board committees

In addition to the Audit Committee (see below) the following Board committees have been established under specific terms of reference:

The Remuneration Committee

The Remuneration Committee comprises Edward Blair (Chairman), Patrik Dahlen and Burkhard Wittek. It reviews the performance of executive directors and sets the scale and structure of their remuneration and reviews the basis of their service agreements with due regard to the interests of shareholders. The Board itself determines the remuneration of the non-executive directors. The Remuneration Committee also makes recommendations to the directors concerning the allocation of share options to employees. No director is permitted to participate in discussions or decisions concerning his or her own remuneration. The details of the Directors' remuneration are contained within the Directors' remuneration report and are set out under note 5 and share options under note 36.

The Nominations Committee

The Nominations Committee comprises David Evans (Chairman), Patrik Dahlen and Edward Blair. The Nominations Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the executive directors and other senior executives in the Group and for the nomination of candidates to fill Board vacancies where required. The Committee will normally meet twice every year.

Relations with shareholders

The Board recognises the importance of maintaining good communications with its shareholders. The Group engages a firm of financial PR consultants to provide another channel of communication to shareholders, potential investors and analysts.

Accountability and audit

The Board believes that the Annual Report and Financial Statements play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Chairman's statement contains a detailed consideration of the Group's position and prospects.

Internal controls

The Board has designed the Group's systems of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or will be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against misstatement or loss.

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The Audit Committee which was established on flotation has been delegated responsibility for conducting this review.

The Group's systems of internal control include regular meetings of management to discuss operational, strategic and risk issues, designed to ensure that the possibility of misstatement is kept to a minimum.

The Board has not undertaken a formal review in the current period but shall endeavour do so in the next reporting period.

The system in place for financial reporting ensures the Board receives management accounts, forecast variance analysis and other ad hoc reports on a timely basis.

The Group has not implemented an internal audit function because the directors believe that the controls in place are appropriate for the size and complexity of the Group's activities.

There are no significant issues disclosed in the report and financial statements for the year ended 31 March 2011 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

Audit Committee

The Audit Committee is chaired by David Evans, a qualified chartered accountant and the Board feels that this committee is independent, all members being non-executive directors. The Audit Committee is responsible for the relationship with the Group's external auditors and the review of the Group's financial reporting and the Group's internal controls.

The Committee also comprises Burkhard Wittek and Edward Blair, both Non-Executive Directors. The Committee will normally meet twice a year and is responsible for monitoring the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on, meeting with the auditors and reviewing reports from the auditors. It meets with the auditors at least once a year.

The Audit Committee has undertaken an assessment of the auditors' independence, including:

- a review of non-audit services provided to the Group and related fees
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including regular rotation of the audit partner and
- obtaining written confirmation from the auditors that in their professional judgement, they are independent.

An analysis of fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 3 to the financial statements.

The Company is satisfied that the external auditors remain independent in the discharge of their audit responsibilities.

Going concern

The Board has considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of the financial statements.

Compliance statement

The Board has reviewed compliance with the Combined Code.

Throughout the year ended 31 March 2011, the Group has substantially complied with the provisions set out in Section 1 of the Combined Code.

By order of the Board

Paul Hailes
Company Secretary
24 June 2011

Directors' remuneration report

Introduction and compliance

This report has been prepared by the Remuneration Committee on behalf of the Board in accordance with the requirements of Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations') and explains how the Company has applied the principles of the Combined Code in respect of directors' remuneration. In accordance with the Regulations, a resolution inviting shareholders to approve the report will be put to the Annual General Meeting ('AGM') on Thursday 8 September, 2011.

Remuneration Committee

The Remuneration Committee (the 'Committee') has been established by the Board which has responsibility for executive remuneration. The Committee is chaired by Dr Eddie Blair, an independent Non-Executive Director; membership of the Committee is detailed below.

Members of Remuneration Committee

Dr Eddie Blair (Committee Chairman) since 16 July 2008
Dr Patrik Dahlen since 11 December 2009
Dr Burkhard Wittek since 1 April 2010

The ability of the Company to attract, retain and engage high calibre and well-motivated individuals is critical to the successful execution of its business strategy and compensation is a critical element of this process. The activities of the Remuneration Committee have been guided by this principle.

The Remuneration Committee of the Board exercises a compensation philosophy which is used Group-wide in guiding the design and direction of specific compensation programmes, which inevitably involve broad-based considerations related to performance, objectives, bonus payments, share options and other benefits. The Company's compensation philosophy serves as a high-level tool to help the Board and Management align compensation related decisions with the strategy. Overall, the philosophy seeks to set compensation at an equitable level based on benchmarking against comparable businesses and industries, through appropriate research.

The Remuneration Committee determines and recommends to the Board the remuneration of new and existing executive directors, the company secretary and reviews recommendations for overall compensation levels within the Company and grants, as appropriate, the vesting of share-based awards. The remuneration of non-executive directors is determined by the Board as a whole.

Executive directors' remuneration

During the financial year ended 31 March 2011 the Remuneration Committee consulted with third parties to provide further advice on the structuring and benchmarking of the executive directors' remuneration. It produced a report on the proposals for grants under the Company's Share Option Plan (SOP) which implies a change of the policy prevailing to date. The Remuneration Committee extends consideration to several components in respect of the executive directors' remuneration, which together comprise the total remuneration package.

The **total remuneration package** seeks to balance (a) fixed remuneration, being base salary plus benefits in kind, (b) performance-related rewards in the form of the annual bonus and (c) longer-term incentives in the form of share options, with the goal of achieving an appropriate balance between these 3 components. As the outcome of any option grants will only be visible after they have been exercised there is no formula as to the mix of these components. Rather, the remuneration policy for each of these components is calibrated against a different set of parameters as explained below:

- **Base salaries** are determined upon benchmarking against the median of salaries paid to executive directors in UK-listed companies of a comparable market capitalisation or other suitable parameters measuring size. In addition the Remuneration Committee evaluated the cash compensation paid in quoted UK medtech companies of a comparable size. Within the range given by this benchmarking the Remuneration Committee follows a differentiation to account for experience/seniority and individual contribution. Base salaries are reviewed annually.

- **Benefits in kind** are largely proportional to the base salary. They include private health insurance, life insurance and a contribution of 10% of gross basic annual salary to a defined-contribution pension scheme.
- The Company operates an **annual bonus plan**. It is structured as a capped arrangement with the maximum payout ("the cap") defined as a percentage of the individual´s base salary. The respective ratios were again determined by benchmarking based on data on listed companies in a comparable market capitalisation class plus evaluation of additional medtech companies.
- As a result of this benchmarking exercise, the Remuneration Committee recommends that the maximum bonus should be set at 60% of base salary for the CEO and the Sales and Marketing Director and at 45% of base salary for the other executive directors.
- The Remuneration Committee is attempting to set stretching targets for the reaching of the cap. Circa 2/3 of the maximum bonus is linked to corporate performance metrics and circa 1/3 to individual performance metrics. The corporate performance targets are based on the internal financial budget of the Company. The individual performance metrics are based on outcomes as opposed to efforts.

  In the financial year 2011 the actual total amount of bonus payments amounted to 21% of total base salary. The Remuneration Committee believes that this is a "healthy" ratio which implies that the targets were indeed stretching.

  The Bonus Scheme does not include long-term goals; all goals are only set for the current financial year. The Remuneration Committee believes that this important aspect of compensation should be addressed by the share options scheme.
- All executive directors are eligible to participate in the SOP which will be explained below.

Share-based awards

The Company currently operates one long-term incentive plan offering share options based on performance. This plan is supervised by the Remuneration Committee.

The review of compensation policy with respect to share-based awards undertaken in the financial year is focussed on the recommendations of the Association of British Insurers (ABI). In particular it recommended adoption of the following ABI guidelines on the value of option grants (Para 8.1, p.17):

"The rules of a scheme must provide that commitments to issue new shares or re-issue treasury shares, when aggregated with awards under all of the Company´s other schemes, must not exceed 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10 year period."

The Remuneration Committee recognised that the 10% cap in any rolling 10 year period will not be met by IDS as the amount of options granted in the years since the IPO already exceeded that threshold. Nevertheless it recommended implementation of these guidelines after completion of the review circa September 2010.

Secondly, to determine the amount of options issued, the Company did the same benchmarking based on market surveys and a sample of UK medtech companies as outlined above. As a result of this calibration the Remuneration Committee recommended that the Company issues new options each year with the face value – defined as the number of options x the strike price (which is equivalent to the share price at the time of issuance, see below) - being linked to the base salary. The ratio is set at

a. 110% of base salary for the CEO
b. 80% of base salary for the other executives.

Where actual base salaries are below the maximum level set by the policy, "standard" levels are taken as a basis for calculating the issuance of options.

Thirdly, the Remuneration Committee reviewed the performance hurdles attached to the options. Historically they had been set at EPS going up at least at the rate of Consumer Price Index ("CPI"). The Remuneration Committee has come to the conclusion that for a company in a growth market this hurdle was not stretching enough. Instead, it recommends that the performance hurdle be defined as reaching or exceeding the EPS projections according to broker consensus in each of the 3 years following the issuance of options.

The Remuneration Committee decided against using share price based hurdles as it believes a focus on generating solid earnings will over time lead to corresponding returns to shareholders. A focus on the short-term share price development has the limitation of generating a temptation to "work the share price". As the options are the key incentive for the executives to think long-term, the Remuneration Committee believes such an incentive would be counterproductive to this goal. Secondly, in a stock market correction as experienced in 2009 total shareholder return may be depressed by short-term psychological mechanisms rather than a focus on the fundamentals of the business.

Share Option Plan (SOP)

Any Group employee is eligible to participate in the SOP at the discretion of the Remuneration Committee. Awards may not be granted under the SOP more than 10 years after shareholder approval of the plan was obtained. The SOP is comprised of 2 parts: a plan approved by HM Revenue & Customs ("HMRC") that provides for the award of UK tax qualified options and an unapproved plan. This structure enables the Company to utilise certain UK tax benefits and retain the flexibility to provide, where necessary, options in excess of the limits imposed by UK tax legislation.

Awards under the SOP are made at an exercise price equal to the market value of the Company's shares on or around the time of grant. Full details of these plans are set out in note 36 to the Financial Statements.

Awards may be granted under either plan within 42 days following the date of the Company's announcement of its financial results for any reporting period and, subject to the Model Code appended to the Listing Rules of the Financial Services Authority, the Remuneration Committee may also grant awards at any other time when it considers there are exceptional circumstances. No payment is required for the grant of awards under the plans. Awards are not pensionable and are not transferable, except upon death.

Other share incentive schemes

The Company has operated discretionary share option arrangements and other vesting arrangements which were put in place prior to the Company's admission to the Alternative Investment Market (AIM) of the London Stock Exchange in 2004. Some of these arrangements were subject to performance conditions as summarised in note 36 to the Financial Statements. The awards made under these arrangements to executive directors are set out in the table headed "Share awards and options granted to directors" at the end of this report. The Company has an approved save as you earn ("SAYE") scheme in place for UK employees; however there were no outstanding options under that scheme as at 31 March 2011.

Non-executive directors

The Company's policy is to establish and maintain a body of non-executive directors with the breadth of skills and experience that is appropriate to the Company's size and business. In this context, it is the Board's policy for the non-executive directors to be paid a level of fee that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.

The Company has entered into a Service Agreement / Letter of Appointment with each of its non-executive directors.

Each Letter of Appointment is for a fixed term and includes a provision that either party may terminate the appointment at any time during the term of appointment by giving 3 months' notice of termination. The appointment may also be terminated any time in accordance with the Articles of Association of the Company or as may be required under the law.

The dates of the Letters of Appointment and their respective expiration dates for the Non-Executive Directors who served during the year ended 31 March 2011 are:

	Date of letter of appointment	Expiry Date
Non-Executive Director		
Mr David Evans	1 October 2009	30 September 2012
Dr Eddie Blair	1 October 2009	30 September 2012
Dr Patrik Dahlen	11 December 2009	10 December 2012
Dr Burkhard Wittek	20 October 2009	19 October 2012

The aggregated amount of fees paid to Non-Executive Directors during the year ended 31 March 2011 was £135,000 and for the year ended 31 March 2010 the amount was £108,556.

Directors' interests

The beneficial and non-beneficial interests in the ordinary shares of the Company of each person who served as a director during the financial year ended 31 March 2011 are shown below:

	31 March 2011	Share Options	31 March 2010	Share Options
Director				
R T Duggan	**1,526,187**	**66,383**	2,276,187	66,383
P Hailes	**540,689**	**66,383**	1,111,378	66,383
A Wilks	**-**	**66,554**	58,820	66,554
M L Garrity	**-**	**220,000**	-	200,000
C I Cookson	**11,538**	**420,000**	11,538	400,000
A Rousseau	**25,584**	**200,000**	50,584	200,000
D E Evans	**157,450**	**-**	522,458	-
E D Blair	**-**	**-**	-	-
B Wittek	**-**	**-**	-	-
P O Dahlen	**8,250**	**-**	8,250	-

Directors' remuneration

The remuneration in respect of qualifying services of each person who served as a director during the financial year ended 31 March 2011 is shown below. No Director took part in discussions or decisions relating to his or her own remuneration.

	Year ended 31 March 2011				Year ended 31 March 2010			
	Salary/ fees £000	Bonus £000	Benefits £000	Pension £000	Salary/ fees £000	Bonus £000	Benefits £000	Pension £000
Director								
R T Duggan	**137**	**37**	**19**	**14**	147	37	18	10
P Hailes	**119**	**31**	**23**	**12**	116	29	22	8
C I Cookson	**155**	**35**	**13**	**15**	131	36	13	13
A Wilks	**125**	**13**	**4**	**-**	132	32	11	-
M L Garrity	**119**	**32**	**17**	**12**	116	29	18	8
A Rousseau	**205**	**33**	**2**	**-**	177	34	2	-
Non-Executive Directors								
D E Evans	**45**	**-**	**-**	**-**	25	-	-	-
W Dracup	**-**	**-**	**-**	**-**	38	-	-	-
B Wittek	**30**	**-**	**-**	**-**	13	-	-	-
P O Dahlen	**30**	**-**	**-**	**-**	10	-	-	-
E D Blair	**30**	**-**	**-**	**-**	22	-	-	-
Total	**995**	**181**	**78**	**53**	927	197	84	39

Share awards and options granted to Directors

Details of share awards and options for each person who served as a director during the financial year ended 31 March 2011 are set out in the table below:

	At 01.04.10	Granted in year	Exercised in year	Lapsed in year	At 31.03.11	Exercise Price	Grant date	Earliest Exercise date	Expiry date
Director									
R T Duggan	66,383	-	-	-	**66,383**	236.5p	23.06.09	22.06.12	22.06.19
P Hailes	66,383	-	-	-	**66,383**	236.5p	23.06.09	22.06.12	22.06.19
A Wilks	66,554	-	-	-	**66,554**	236.5p	23.06.09	22.06.12	22.06.19
M L Garrity	67,623	-	-	-	**67,623**	236.5p	23.06.09	22.06.12	22.06.19
	132,377	-	-	-	**132,377**	241.5p	03.09.07	03.09.10	03.09.17
	-	20,000	-	-	**20,000**	852.5p	03.02.11	03.02.14	03.02.21
C I Cookson	66,383	-	-	-	**66,383**	236.5p	23.06.09	22.06.12	22.06.19
	333,617	-	-	-	**333,617**	189.5p	25.03.08	25.03.11	25.03.18
	-	20,000	-	-	**20,000**	872.5p	27.09.10	26.09.13	26.09.20
A Rousseau	66,554	-	-	-	**66,554**	236.5p	23.06.09	22.06.12	22.06.19
	133,446	-	-	-	**133,446**	189.5p	25.03.08	25.03.11	25.03.18

By order of the Board

Eddie Blair
Chair, Remuneration Committee
24 June 2011

Directors’ responsibilities

Directors’ responsibilities in the preparation of financial statements

The directors are responsible for preparing the Directors’ Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (“EU”) and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Immunodiagnostic Systems Holdings plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

Independent auditor's report to the members of Immunodiagnostic Systems Holdings plc

We have audited the Group and parent Company financial statements ("the financial statements") which comprise the consolidated and Company balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 43 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard King (senior statutory auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants, 1 St James' Gate, Newcastle upon Tyne NE1 4AD
24 June 2011

Consolidated balance sheet

as at 31 March 2011

Company Registration Number 05146193

	Notes	2011 £000	2010 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**8,275**	5,198
Goodwill	13	**17,693**	17,680
Other intangible assets	14	**40,268**	38,051
Investments	16	**4**	4
Deferred tax assets	25	**6,754**	-
Other non-current assets	17	**237**	213
		73,231	61,146
Current assets			
Inventories	18	**8,453**	6,427
Trade and other receivables	19	**11,679**	10,806
Income tax assets		**1,286**	576
Cash and cash equivalents	19	**6,364**	5,276
		27,782	23,085
Total assets		**101,013**	84,231
Liabilities			
Current liabilities			
Short-term portion of long-term borrowings	20	**2,113**	2,681
Trade and other payables	23	**7,714**	6,203
Income tax liabilities		**2,108**	914
Deferred income	27	**121**	153
		12,056	9,951
Net current assets		**15,726**	13,134
Non-current liabilities			
Long term borrowings	20	**4,312**	8,643
Provisions	26	**1,160**	1,901
Deferred tax liabilities	25	**9,459**	2,725
		14,931	13,269
Total Liabilities		**26,987**	23,220
Net assets		**74,026**	61,011

Consolidated balance sheet (cont)

as at 31 March 2011

Company Registration Number 05146193

	Notes	2011 £000	2010 £000
Total equity			
Called up share capital	30	**559**	557
Share premium account	31	**29,353**	29,281
Other reserves	32	**12,053**	11,780
Retained earnings	33	**32,061**	19,393
Equity attributable to owners of the parent		**74,026**	61,011

The financial statements on pages 45 to 90 were approved by the Board of Directors and authorised for issue on 24 June 2011 and are signed on its behalf by:

Mr D E Evans
Non-Executive Chairman

Mr P Hailes
Finance Director

Consolidated income statement

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Revenue	2	**50,164**	37,158
Cost of sales		**(12,714)**	(9,642)
Gross profit		**37,450**	27,516
Distribution costs		**(7,051)**	(5,923)
Administrative expenses		**(13,272)**	(10,311)
Profit from Operations	3	**17,127**	11,282
Finance income	6	**220**	259
		17,347	11,541
Finance costs	7	**(711)**	(555)
Profit before tax		**16,636**	10,986
Income tax expense	8	**(3,645)**	(2,911)
Profit for the year attributable to owners of the parent		**12,991**	8,075
Earnings per share			
From continuing operations			
Basic	10	**46.493p**	30.017p
Diluted	10	**44.633p**	28.926p

Consolidated statement of comprehensive income

for the year ended 31 March 2011

	2011 £000	2010 £000
Profit for the year	**12,991**	8,075
Currency transaction differences	**(842)**	(1,906)
Other comprehensive income, before tax	**(842)**	(1,906)
Income tax relating to items credited/charged to equity	**86**	(98)
Other comprehensive income, net of tax	**(756)**	(2,004)
Total comprehensive income for the year attributable to owners of the parent	**12,235**	6,071

Consolidated statement of cash flows

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Operating activities			
Cash generated from operations	34	**19,367**	11,731
Income taxes paid		**(2,214)**	(1,344)
Interest paid		**(711)**	(693)
Net cash from operating activities		**16,442**	9,694
Investing activities			
Asset acquisition		**(1,907)**	(213)
Purchases of other intangible assets		**(3,736)**	(4,544)
Purchases of property, plant and equipment		**(4,445)**	(2,429)
Interest received		**218**	259
Net cash used by investing activities		**(9,870)**	(6,927)
Financing activities			
Proceeds from issue of shares for cash		**74**	816
Repayments of borrowings		**(4,895)**	(2,447)
Repayments of hire-purchase obligations		**(56)**	(102)
Dividends paid		**(559)**	(436)
Net cash used by financing activities		**(5,436)**	(2,169)
Effect of exchange rate differences		**(48)**	222
Net increase in cash and cash equivalents		**1,088**	820
Cash and cash equivalents at beginning of year		**5,276**	4,456
Cash and cash equivalents at end of year		**6,364**	5,276

Consolidated statement of changes in equity

31 March 2011

	Called up share capital £000	Share Premium account £000	Merger reserve £000	Share-based Payments reserve £000
At 1 April 2009	528	28,500	583	518
Profit for the year	-	-	-	-
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	-	-
Tax effect of treatment of foreign currency translation differences	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	1,549
Tax benefit on exercise of share options	-	-	-	-
Share-based payments	-	-	-	355
Transfer on exercise of share options	-	-	-	(285)
Dividends paid	-	-	-	-
Shares issued in the period (net of expenses)	29	781	-	-
At 31 March/1 April 2010	557	29,281	583	2,137
Profit for the year	-	-	-	-
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	-	-
Tax effect of treatment of foreign currency translation differences	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	683
Tax benefit on exercise of share options	-	-	-	-
Share-based payments	-	-	-	369
Transfer on exercise of share options	-	-	-	(23)
Dividends paid	-	-	-	-
Shares issued in the period (net of expenses)	2	72	-	-
At 31 March 2011	**559**	**29,353**	**583**	**3,166**

Consolidated statement of changes in equity (cont)

for the year ended 31 March 2011

	Currency translation reserve £000	Retained earnings £000	Treasury shares £000	Total £000
At 1 April 2009	11,064	9,526	(7)	50,712
Profit for the year	-	8,075	-	8,075
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(1,906)	-	-	(1,906)
Tax effect of treatment of foreign currency translation differences	(98)	-	-	(98)
Total comprehensive income	(2,004)	8,075	-	6,071
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	1,549
Tax benefit on exercise of share options	-	1,943	-	1,943
Share-based payments	-	-	-	355
Transfer on exercise of share options	-	285	-	-
Dividends paid	-	(436)	-	(436)
Shares issued in the period (net of expenses)	-	-	7	817
At 31 March/1 April 2010	9,060	19,393	-	61,011
Profit for the year	-	12,991	-	12,991
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(842)	-	-	(842)
Tax effect of treatment of foreign currency translation differences	86	-	-	86
Total comprehensive income	(756)	12,991	-	12,235
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	683
Tax benefit on exercise of share options	-	213	-	213
Share-based payments	-	-	-	369
Transfer on exercise of share options	-	23	-	-
Dividends paid	-	(559)	-	(559)
Shares issued in the period (net of expenses)	-	-	-	74
At 31 March 2011	**8,304**	**32,061**	**-**	**74,026**

Notes to the consolidated financial statements

year ended 31 March 2011

1. Accounting policies

a) Basis of accounting

The consolidated financial statements are prepared under the historical cost convention in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB). IFRS includes all IFRS, IAS, ISCs and IFRICs and the financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The measurement basis and principal accounting policies are unchanged from the previous year and are set out below.

b) 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.

c) Foreign currencies

The results and financial position of the Group are expressed in Sterling, its functional currency. Transactions in currencies other than 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 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 retranslation of net assets of foreign subsidiaries are effected through equity and reported in the statement of comprehensive income.

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 and transferred to profit or loss on disposal of the foreign operation.

d) 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 the date of transition to IFRS. 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.

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.

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 financial statements from the date of combination.

Acquisitions of entities that do not meet the definition of a business are accounted for as asset acquisitions rather than business combinations. On an asset acquisition, the consideration paid is allocated to the assets acquired; goodwill does not arise.

e) 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 the sales of goods when risk is transferred 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.

f) Operating segments

The Group has applied IFRS 8 “Operating Segments” during the year. IFRS 8 provides segmental information for the Group on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that the role of chief operating decision-maker is performed by the Board of Directors. The Group has identified the United Kingdom, Europe and the United States of America as operating segments.

g) 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. Development expenditure on research use only products is expensed as incurred as there is uncertainty as to the magnitude of future revenues being sufficient to cover the development costs. Capitalised costs are amortised over 5 years from the date the product commences commercial production, unless a different period is considered more appropriate for individual products.

All development expenditure incurred on automation of IDS products on the IDS-iSYS is capitalised and amortised over the average remaining life of the patents relating to the IDS-iSYS from the date the product commences commercial production. At the time of the launch of the first IDS-iSYS products in March 2009 this period was 18 years.

Where a project consists of both research and development of clinical products all expenditure incurred up to feasibility stage is expensed and all expenditure post feasibility is capitalised and amortised post product launch.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

Other intangible assets, including product technology (which comprises know-how and similar identifiable, valuable rights connected to a particular product line), 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 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 Suomen Bioanalytiikka Oy (SBA Sciences Ltd) of Finland in 2005. The directors consider 20 years as a reasonable period of estimated useful life.

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. Amortisation of intangible assets is charged in the income statement under administrative expenses.

In the year ended 31 March 2011 the annual re-assessment of useful lives resulted in an extra amortisation charge for the year of £38,000.

h) 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
Fixtures, Fittings & Equipment	-	over 5-7 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.

i) Investments

Fixed asset investments are stated at fair value, unless this can not be reliably measured in which case they are stated at cost after making provision for any impairment in their value.

j) Impairment of non-financial assets

Impairment is determined by comparing the recoverable amount of an asset with its carrying value. For goodwill and where the recoverable amount of an asset can not be estimated, the recoverable amount of the cash-generating unit or group of cash-generating units ("CGU") which are expected to benefit from the asset is compared to the carrying value of the CGU. The recoverable amount is the greater of an asset's value in use or 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.

k) Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. For inventories that are ordinarily interchangeable, cost is calculated using the weighted average method. 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 a 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.

l) 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.

m) 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.

n) 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 and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

o) Financial liabilities

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 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.

p) Government grants

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

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

q) Provisions

Provisions for liabilities are recognised where the Group has a present commitment at the balance sheet date arising from a past event and where the extent of the commitment can be estimated reliably.

r) 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 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.

s) 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 Group 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.

t) 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 and forward exchange contracts 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. Derivative financial instruments which are not designated as hedging instruments are valued at fair value through profit or loss.

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.

u) 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.
- Currency translation reserve.

v) Critical judgements in applying the group'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.

Development costs

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 IDS-iSYS system and a range of tests to be run on it are seen as development expenditure so relevant costs are capitalised and amortised over the remaining average life of the patents relating to the IDS-iSYS from the date the product commences commercial production.

Identification and valuation of intangible assets on acquisition

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 indications of impairment annually.

Segmental analysis

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

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

w) 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.

Contingent consideration

The acquisition of Biocode Hycel SA included a contingent consideration clause in the form of a commitment to pay the former shareholders of the acquired company for each IDS-iSYS instrument placed by the group as per the Sales and Purchase Agreement. In determining the fair value attributable to this commitment, the directors considered current sales forecasts and discounted, applying a discount factor of 8.9%, being the Group's weighted average cost of capital.

Share-based payments

In calculating the fair value of equity-settled share-based payments using the Black-Scholes option pricing model, the directors are required to exercise their judgement in determining input parameters which may have a material effect on the fair value calculated.

x) Standards not yet effective

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

IFRS 3 (amended) Business Combinations (effective for accounting periods commencing on or after 1 July 2010)

IFRS 7 (amended) Financial Instruments: Disclosures (effective for accounting periods commencing on or after 1 January 2011)

IAS 1 (amended) Presentation of Financial Statements (effective for accounting periods commencing on or after 1 January 2011)

IAS 24 (amended) Related Party Transactions (effective for accounting periods commencing on or after 1 January 2011)

IAS 27 (amended) Consolidated and Separate Financial Statements (effective for accounting periods commencing on or after 1 July 2010)

IAS 34 (amended) Interim Financial Reporting (effective for accounting periods commencing on or after 1 January 2011)

IFRIC 13 Customer Loyalty Programmes (effective for accounting periods commencing on or after 1 January 2011)

IFRIC 14 (amended) Prepayments of a Minimum Funding requirement (effective for accounting periods commencing on or after 1 January 2011)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods commencing on or after 1 July 2010)

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

2. Segmental information

For management purposes, the Group is currently organised into three geographical operating regions: UK, Europe and USA. These regions are the basis on which the Group reports, by origin, its segment information.

The main activity of the Group is the manufacturing and distributing of medical diagnostic products.

Inter-segment sales are priced based on the market selling price for the individual item obtainable by the purchasing segment, reduced by a margin equivalent to the gross margin that would be expected to have been achieved by purchasing the item on the local wholesale market.

An analysis of external revenues by product and service is given in the Financial Review on page 24.

Year ended 31 March 2011

	UK £000	Europe £000	USA £000	Adjustments £000	Consolidated £000
Revenue					
External sales	12,903	18,531	18,730	-	50,164
Inter-segment sales	23,034	15,888	-	(38,922)	-
Total revenue	35,937	34,419	18,730	(38,922)	50,164
Profit from operations	15,371	1,997	1,270	(1,511)	17,127
Finance income	487	415	-	(682)	220
Finance costs	(1,235)	(144)	(14)	682	(711)
Profit before tax	14,623	2,268	1,256	(1,511)	16,636
Income tax expense	(3,576)	381	(450)	-	(3,645)
Profit after tax	11,047	2,649	806	(1,511)	12,991
Segment assets	94,795	72,674	7,201	(73,657)	101,013
Segment liabilities	(35,951)	(26,773)	(3,920)	39,657	(26,987)
	58,844	45,901	3,281	(34,000)	74,026
Non-current assets	62,161	40,732	1,726	(31,629)	72,990
Capital additions	4,875	4,369	1,219	(647)	9,816
Depreciation and amortisation	950	1,298	1,624	(58)	3,814

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

Year ended 31 March 2010

	UK £000	Europe £000	USA £000	Adjustments £000	Consolidated £000
Revenue					
External sales	10,055	15,098	12,005	-	37,158
Inter-segment sales	14,531	8,920	-	(23,451)	-
Total revenue	24,586	24,018	12,005	(23,451)	37,158
Profit from operations	9,219	335	2,091	(363)	11,282
Finance income	-	445	1	(187)	259
Finance costs	(174)	(220)	-	(161)	(555)
Profit before tax	9,045	560	2,092	(711)	10,986
Income tax expense	(2,357)	237	(861)	70	(2,911)
Profit after tax	6,688	797	1,231	(641)	8,075
Segment assets	78,884	49,898	4,005	(47,982)	84,231
Segment liabilities	(31,644)	(23,416)	(1,424)	32,690	(23,220)
	47,240	26,482	2,581	(15,292)	61,011
Non-current assets	31,627	28,581	721	-	60,929
Capital additions	3,120	3,210	640	-	6,970
Depreciation and amortisation	791	2,519	41	-	3,351

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

3. Profit from operations

Profit from operations is stated after charging/(crediting):

	2011 £000	2010 £000
Amortisation of government grants re fixed assets	**(49)**	(209)
Amortisation of other intangible assets	**2,536**	2,346
Depreciation of owned plant, property and equipment	**1,254**	951
Depreciation of assets held under hire purchase agreements	**24**	54
Operating lease costs	**609**	630
Share based payments	**369**	355
Other staff costs	**14,086**	12,749
Net loss/(gain) on foreign currency translation of trading items	**164**	(78)
(Gain) on foreign currency translation of contingent consideration	**(87)**	(78)
Research and development	**725**	122
Auditor's renumeration (see below)	**107**	134

Expenses charged in arriving at profit from operations can be analysed by nature as follows:

	2011 £000	2010 £000
Staff costs (see note 4)	**14,455**	13,104
Material costs	**8,692**	6,416
Research and development costs	**725**	122
Depreciation of property plant and equipment	**1,278**	1,005
Amortisation of intangible assets	**2,536**	2,346
Foreign currency translation differences	**77**	(156)
Other operating expenses	**5,274**	3,039
	33,037	25,876

Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non-audit services:

	2011 £000	2010 £000
Audit services -statutory audit of parent and consolidated accounts	**78**	81
Other services relating to taxation -compliance services	**5**	20
Work performed by associates of Baker Tilly in respect of consolidation returns or local legislative requirements	**24**	33
	107	134

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

4. Particulars of employees

The average number of staff employed by the Group during the financial year amounted to:

	2011 No.	2010 No.
Number of production staff	**106**	76
Number of distribution staff	**82**	85
Number of administrative staff	**88**	80
	276	241

The aggregate payroll costs of the above were:

	2011 £000	2010 £000
Wages and salaries	**11,477**	9,840
Social security costs	**2,434**	2,815
Other pension costs	**175**	94
Shared-based payments	**369**	355
	14,455	13,104

For the year ended 31 March 2011, of staff costs, £3,857,000 (2010: £2,748,000) has been included in cost of sales, £3,832,000 (2010: £4,288,000) in distribution costs and £6,766,000 (2010: £6,068,000) in administrative expenses.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

5. Directors' emoluments

	2011 £000	2010 £000
Emoluments receivable	**1,254**	1,208
Value of Company pension contributions to money purchase schemes	**53**	39
	1,307	1,247

Emoluments of highest paid director:

	2011 £000	2010 £000
Total emoluments (excluding pension contributions)	**240**	213
Value of Company pension contributions to money purchase schemes	**-**	-
	240	213

The number of directors who accrued benefits under Company pension schemes was as follows:

	2011 No.	2010 No.
Money purchase schemes	**4**	4

2011

	Salary £000	Bonuses £000	Fees £000	Benefits £000	Total £000
Dr R T Duggan	137	37	-	19	193
Mr P Hailes	119	31	-	23	173
Mr C I Cookson	155	35	-	13	203
Mr A Wilks	125	13	-	4	142
Dr M Garrity	119	32	-	17	168
Mr A Rousseau	205	33	-	2	240
Mr D E Evans (Non-Exec)	-	-	45	-	45
Dr B Wittek (Non-Exec)	-	-	30	-	30
Dr P Dahlen (Non-Exec)	-	-	30	-	30
Dr E D Blair (Non-Exec)	-	-	30	-	30
	860	181	135	78	1,254

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

2010

	Salary £000	Bonuses £000	Fees £000	Benefits £000	Total £000
Dr R T Duggan	147	37	-	18	202
Mr P Hailes	116	29	-	22	167
Mr C I Cookson	131	36	-	13	180
Mr A Wilks	132	32	-	11	175
Dr M Garrity	116	29	-	18	163
Mr A Rousseau	177	34	-	2	213
Mr D E Evans (Non-Exec)	-	-	25	-	25
Mr W Dracup (Non-Exec)	-	-	38	-	38
Dr B Wittek (Non-Exec)	-	-	13	-	13
Dr P Dahlen (Non-Exec)	-	-	10	-	10
Dr E D Blair (Non-Exec)	-	-	22	-	22
	819	197	108	84	1,208

The services of the non-executive directors are provided by third parties as follows:

Mr D E Evans (Non-Exec) - MBA Consultancy, an unincorporated business where Mr D E Evans is sole proprietor.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

6. Finance income

	2011 £000	2010 £000
Bank interest receivable	**3**	1
Interest receivable on disposal of business	**215**	258
Exchange gain on foreign currency borrowings	**2**	-
	220	259

7. Finance costs

	2011 £000	2010 £000
Interest payable on bank borrowing	**557**	647
Finance charges	**5**	14
Exchange (gain) on foreign currency borrowings	**-**	(138)
Other similar charges payable	**149**	32
	711	555

8. Taxation on ordinary activities

a) Analysis of charge in the year

	2011 £000	2010 £000
Current tax:		
UK Corporation tax based on the results for the year at 28% (2010: 28%)	**3,290**	1,943
(Over)/under provision in prior year	**(418)**	(17)
Foreign tax on income	**146**	1,037
Total current tax	**3,018**	2,963
Deferred tax:		
Capital allowances	**167**	389
Other	**249**	24
Tax losses carried forward	**(41)**	(442)
Deferred tax on share based payments charge	**(78)**	(23)
(Over) / under provision in prior year	**330**	-
Total deferred tax (note 25)	**627**	(52)
Tax on profit on ordinary activities	**3,645**	2,911

In addition, total current and deferred tax of £982,000 (2010: £3,394,000) has been credited to equity in respect of items charged directly to equity.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

b) Factors affecting tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2011 £000	2010 £000
Profit on ordinary activities before taxation	**16,636**	10,986
Profit on ordinary activities by rate of tax in the UK of 28% (2010: 28%)	**4,658**	3,076
Expenses not deductible for tax purposes	**34**	34
Income not taxable for tax purposes	**(1)**	(1)
Additional relief for R & D expenditure	**(1,285)**	(843)
Foreign profits taxable at different rates	**974**	722
Losses carried forward	**289**	79
Losses brought forward utilised	**(851)**	(45)
Relief for employee share award	**(85)**	(94)
Tax in respect of prior periods	**(88)**	(17)
Total tax charge at an effective rate of 21.9% (2010: 26.5%)	**3,645**	2,911

9. Dividends

On 27 August 2010, a dividend of 2.00p (2010: 1.65p) per share was paid to shareholders. In respect of the current year, the directors propose that a dividend of 2.50p per share will be paid to the shareholders on 29 September 2011. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed dividend for 2011 is payable to all shareholders on the Register of Members on 2 September 2011. The total estimated dividend is £706,000.

10. Earnings per ordinary 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 31 March 2011, 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.

From continuing and discounted operations:

	2011 £000	2010 £000
Profit on ordinary activities after tax	**12,991**	8,075
Weighted average no of shares:	**No.**	**No.**
For basic earnings per share	**27,942,000**	26,902,000
Effect of dilutive potential ordinary shares: - share options	**1,164,000**	1,014,000
For diluted earnings per share	**29,106,000**	27,916,000
Basic earnings per share	**46.493p**	30.017p
Diluted earnings per share	**44.633p**	28.926p

11. Financial instruments recognised in the balance sheet

Year ended 31 March 2011

	Assets at fair value through profit or loss Held for trading £000	Other Investments £000	Loans and receivables £000	Total £000
Non-current financial assets				
Financial asset investments		4	237	241
Current financial assets				
Trade and other receivables		-	10,945	10,945
Cash and cash equivalents		-	6,364	6,364
Derivative financial assets	98	-	6,364	6,462
	98		23,673	23,771
Total	98	4	23,910	24,012

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

	Other financial liabilities £000
Current financial liabilities	
Trade and other payables	**6,848**
Bank loans and overdrafts	**2,087**
Obligations under hire purchase agreements	**26**
	8,961
Non-current financial liabilities	
Bank loans and overdrafts	**4,301**
Obligations under hire purchase agreements	**11**
	4,312
Total	**13,273**

Year ended 31 March 2010

	Other Investments £000	Loans and receivables £000	Total £000
Non-current financial assets			
Financial asset investments	4	212	216
Current financial assets			
Trade and other receivables	-	10,000	10,000
Cash and cash equivalents	-	5,276	5,276
	-	15,276	15,276
Total	4	15,488	15,492

	Other financial liabilities £000
Current financial liabilities	
Trade and other payables	5,371
Bank loans and overdrafts	2,624
Obligations under hire purchase agreements	57
	8,052
Non-current financial liabilities	
Bank loans and overdrafts	8,606
Obligations under hire purchase agreements	37
	8,643
	16,695

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

12. Property, plant and equipment

	Property £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2009	1,764	3,971	54	5,789
Exchange differences	(68)	(180)	(2)	(250)
Additions	40	2,375	10	2,425
Disposals	-	(312)	(40)	(352)
Transfer	-	(208)	-	(208)
At 31 March/1 April 2010	1,736	5,646	22	7,404
Exchange differences	(28)	(47)	-	(75)
Additions	147	4,298	-	4,445
Disposals	-	(113)	-	(113)
At 31 March 2011	**1,855**	**9,784**	**22**	**11,661**
Depreciation				
At 1 April 2009	531	1,049	49	1,629
Exchange differences	(35)	(117)	(2)	(154)
Charge for the year	179	819	7	1,005
On disposals	-	(234)	(40)	(274)
At 31 March/1 April 2010	675	1,517	14	2,206
Exchange differences	(14)	(7)	-	(21)
Charge for the year	197	1,079	2	1,278
On disposals	-	(77)	-	(77)
At 31 March 2011	**858**	**2,512**	**16**	**3,386**
Net book value				
At 31 March 2011	**997**	**7,272**	**6**	**8,275**
At 31 March 2010	1,061	4,129	8	5,198
At 1 April 2009	1,233	2,922	5	4,160

Hire purchase agreements

Included within the net book value of fixtures, fittings and equipment of £7,272,000 is £54,000 (2010: £202,000) relating to assets held under hire purchase agreements. The depreciation charged in the year in respect of such assets amounted to £24,000 (2010: £55,000).

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

13. Goodwill

	£000
Cost	
At 1 April 2009	20,430
Exchange differences	(838)
Additions	5
Reassessment of earn-out liability	(950)
At 31 March/1 April 2010	18,647
Exchange differences	(223)
Reassessment of earn-out liability	236
At 31 March 2011	**18,660**
Amortisation	
At 1 April 2009	967
Charge for the year	-
At 31 March/1 April 2010	967
Charge for the year	-
At 31 March 2011	**967**
Net book value	
At 31 March 2011	**17,693**
At 31 March 2010	17,680
At 1 April 2009	19,463

Goodwill is allocated to cash-generating units (CGU's) identified on the basis of product sub-groups within the single operating segment. A summary of the goodwill allocated to each CGU is given below:

	2011 £000	2010 £000
IDS Nordic products	**15,383**	15,646
IDS-ISYS products	**2,310**	2,034
	17,693	17,680

The directors have carried out an impairment review of goodwill carried forward on the balance sheet for the acquisitions of Nordic Bioscience Diagnostics and Biocode Hycel. The directors believe that the future revenues and profitability expected from sales of both manual assays and those products sold on the automated platform the IDS-iSYS are such that no impairment is necessary. The calculations used cash flow projections for 2012 based on the internal budgets, extrapolated over the next five year period using a constant gross margin and applying the estimated growth rates below.

Growth rate (manual products)	-	15%
Growth rate (automated products)	-	25%
Gross margin	-	76.2%
Discount rate	-	9.4%

The directors have used a growth rate per product type, however believe that the business will continue to grow above this rate and this remains the case after applying a 9.4% discount on future revenues and profits.

14. Other intangible assets

	Development costs £000	Parents and product technology £000	Total £000
Cost			
At 1 April 2009	14,336	24,274	38,610
Exchange differences	(610)	(933)	(1,543)
Additions	3,573	972	4,545
Disposals	-	(7)	(7)
At 31 March/1 April 2010	17,299	24,306	41,605
Exchange differences	(119)	(353)	(472)
Additions	3,320	2,051	5,371
Disposals	-	(110)	(110)
At 31 March 2011	**20,500**	**25,894**	**46,394**
Amortisation			
At 1 April 2009	497	974	1,471
Exchange differences	(164)	(92)	(256)
Charge for the year	855	1,491	2,346
Disposals	-	(7)	(7)
At 31 March/1 April 2010	1,188	2,366	3,554
Exchange differences	46	3	49
Charge for the year	1,012	1,524	2,536
Disposals	-	(13)	(13)
At 31 March 2011	**2,246**	**3,880**	**6,126**
Net book value			
At 31 March 2011	**18,254**	**22,014**	**40,268**
At 31 March 2010	16,111	21,940	38,051
At 1 April 2009	13,839	23,300	37,139

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

15. Subsidiaries

Details of the Company's subsidiaries at 31 March 2011 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Immunodiagnostic Systems Limited	England	100	100	manufacture and distribution of Group products
Immunodiagnostic Systems Inc (1)	USA	100	100	distribution of Group products
Immunodiagnostic Systems Deutschland GmbH (1)	Germany	100	100	distribution of Group products
Suomen Bioanalytiikka Oy (SBA Sciences Ltd) (1) (2)	Finland	100	100	non-trading
Briefvision Limited (1)	England	100	100	non-trading
Immunodiagnostic Systems Nordic A/S	Denmark	100	100	distribution of Group products
Immunodiagnostic Systems SA	Belgium	100	100	manufacture and distribution of Group products
ImmunoDiagnostic Systems France SAS	France	100	100	manufacture and distribution of Group products
MGP Diagnostics AS	Norway	100	100	Administration of intellectual property

(1) 100% subsidiary of Immunodiagnostic Systems Limited

(2) The purchase agreement included contingent consideration of €600,000, payment of which will become due following the outcome of certain future events.

a. €300,000 following approval of 510(k) status from the US Federal Drug Administration for TRAP products.

b. €300,000 following receipt of reimbursement status from US Medicare for TRAP products.

At present the directors believe the outcome cannot be reliably estimated.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

The net profit/(loss) and assets/(liabilities) of the subsidiaries for the year ended 31 March 2011 were as follows:

Name of subsidiary

	Net profit/ (loss) £000	Net assets/ (liabilities) £000
Immunodiagnostic Systems Limited	**10,903**	**25,280**
Immunodiagnostic Systems Inc	**805**	**3,281**
Immunodiagnostic Systems Deutschland GmbH	**150**	**403**
Suomen Bioanalytiikka Oy (SBA Sciences Ltd)	**(8)**	**1,119**
Briefvision Limited	**-**	**10**
Immunodiagnostic Systems Nordic A/S	**405**	**11,046**
Immunodiagnostic Systems SA	**1,125**	**23,872**
ImmunoDiagnostic Systems France SAS	**843**	**9,461**
MGP Diagnostics AS	**14**	**(413)**

The net profit/(loss) and assets/(liabilities) of the subsidiaries for the year ended 31 March 2010 were as follows

Name of subsidiary

	Net profit/ (loss) £000	Net assets/ (liabilities) £000
Immunodiagnostic Systems Limited	6,708	10,973
Immunodiagnostic Systems Inc	1,295	2,644
Immunodiagnostic Systems Deutschland GmbH	281	256
Suomen Bioanalytiikka Oy (SBA Sciences Ltd)	(30)	286
Briefvision Limited	-	10
Immunodiagnostic Systems Nordic A/S	842	5,673
Immunodiagnostic Systems AS	2,107	10,997
ImmunoDiagnostic Systems France SAS	(250)	2,603

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

16. Investments

	2011 £000	2010 £000
At 1 April and 31 March	**4**	4

The subsidiary Immunodiagnostic Systems Limited owns 41% of the issued share capital of Perinatal Diagnostics Limited, a company incorporated in England. The company has not traded during the period. The company's loss for the period was £16,000, relating to patent and other non-trading expenses, with the deficiency in capital and reserves of Perinatal Diagnostics Limited at £48,000 as at 31 March 2011.

The subsidiary Immunodiagnostic Systems Limited also owns 33% of the issued share capital of Pyrronostics Limited, a company incorporated in England. The principal activity of Pyrronostics Limited is that of a biomarker discovery company. The profit for the year ended 31 March 2011 was £nil. The deficiency in capital and reserves of Pyrronostics Limited is £10,000 as at 31 March 2011.

The subsidiary Immunodiagnostic Systems Limited also owns a 18.75% shareholding in Palindromx Limited, a company incorporated in England. The principal activity of Palindromx Limited is that of research and development. The profit for the year ended 31 March 2011 was £11,000. The deficiency in capital and reserves of Palindromx Limited is £32,000 as at 31 March 2011.

The above investments are not treated as associated undertakings as they are not considered to be material to the Group.

17. Other non-current assets

Other loans and receivables

	2011 £000	2010 £000
At 1 April	**213**	-
Transfer from property, plant and equipment	**-**	208
Additions	**54**	10
Repaid	**(27)**	(5)
Exchange differences	**(3)**	-
At 1 April and 31 March	**237**	213

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

18. Inventories

	2011 £000	2010 £000
Raw materials	**4,915**	3,797
Work in progress	**2,209**	1,553
Finished goods	**1,329**	1,077
	8,453	6,427

Inventories are stated after charging provisions of £108,000 (2010: release of £137,000) for impairment of inventories held by subsidiary companies. Of the total charge for the year, £65,000 relates to raw materials and £43,000 to finished goods.

The directors consider that the carrying amount of inventories approximates to their fair value.

19. Other financial assets

Other financial assets are made up of trade and other receivables and cash and cash equivalents.

Trade and other receivables are as follows:

	2011 £000	2010 £000
Trade receivables	**7,902**	6,358
VAT recoverable	**296**	294
Other receivables	**3,181**	3,756
Prepayments and accrued income	**438**	512
Allowance accounts for trade receivables	**11,817**	10,920
	(138)	(114)
	11,679	10,806

Included in other receivables is an amount of £2,593,000 (2010: £3,012,000) due more than one year after the balance sheet date.

The average credit period taken on sale of goods is 42 days (2010: 62 days). An allowance has been made for estimated irrecoverable amounts from sale of goods of £138,000 (2010: £114,000).

This allowance has been based on the knowledge of the financial circumstances of individual receivables at the balance sheet date. Credit terms are negotiated individually for major customers; at the balance sheet date there are no material receivables which can be classified as overdue, other than those for which an allowance has been made.

There are no significant credit risks arising from financial assets that are neither past due nor impaired.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

The movements on the allowance account were as follows:

	2011 £000	2010 £000
Balance at 1 April	**114**	88
Increase in allowance	**35**	58
Amounts received previously provided	**(11)**	(32)
Balance at 31 March	**138**	114

The following table provides analysis of trade receivables that were overdue at 31 March, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2011 £000	2010 £000
Up to three months	**144**	683
Over three months	**-**	30
	144	712

At 31 March 2011 £1,498,000 (2010: £1,371,000) of receivables were denominated in Sterling, £7,285,000 (2010: £7,478,000) in Euros, £2,639,000 (2010: £1,758,000) in US Dollars and £257,000 (2010: £199,000) in Danish Kroner.

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

Cash and cash equivalents of £6,364,000 (2010: £5,276,000) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates to their fair value.

20. Borrowings

2011

	Current £000	Non-current £000
Bank loans	**2,087**	**4,301**
Obligations under hire purchase agreements	**26**	**11**
	2,113	**4,312**

2010

	Current £000	Non-current £000
Bank loans	2,624	8,606
Obligations under hire purchase agreements	57	37
	2,681	8,643

21. Bank Loans

This relates entirely to bank loans denominated in Euros.

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk, which has been partially hedged by use of an interest rate swap. The weighted average period until maturity was 1.25 years.

The directors estimate that the fair value of the Group's borrowings is not significantly different to the carrying value.

The bank holds an unlimited multilateral guarantee in respect of all Group companies, together with a debenture and fixed and floating charges over all tangible and intangible assets and uncalled share capital of the Company, both present and future.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

22. Obligations under hire purchase agreements

Amounts payable under hire purchase agreements:

	2011 £000	2010 £000
Within one year	**26**	57
In the second to fifth year inclusive	**11**	37
	37	94

It is the Group's policy to finance certain of its fixtures and equipment under hire purchase agreements. The average contract term is 3-4 years. For the year ended 31 March 2011 the average effective borrowing rate was approximately 10%. Interest rates are fixed at the contract date. All contracts are on a fixed repayment basis, amounts totalling £nil (2010: £29,000) are denominated in Sterling and amounts totalling £37,000 (2010: £65,000) are denominated in Euros.

Amounts due under hire purchase agreements are secured over the assets financed.

The directors estimate that the fair value of the Group's obligations under hire purchase agreements is not significantly different to the carrying value.

23. Other financial liabilities

Trade and other payables are as follows:

	2011 £000	2010 £000
Trade payables	**4,524**	3,158
Other taxation and social security	**964**	832
Other payables	**40**	56
Accruals	**2,186**	2,157
	7,714	6,203

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 58 days (2010: 50 days).

At 31 March 2011 £1,898,000 (2010: £2,071,000) of payables were denominated in Sterling, £4,939,000 (2010: £3,643,000) in Euros, £754,000 (2010: £403,000) in US Dollars and £123,000 (2010: £86,000) in Danish Kroner.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

24. Pensions

Two subsidiary companies operate defined contribution schemes. The assets of the schemes are held separately from those of the companies in independently administered funds. The pension cost charge represents contributions payable by the companies to the funds and amounted to £175,000 (2010: £94,000).

25. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2011 £000	2010 £000
Provision brought forward	**2,725**	4,447
Income statement movement arising during the year	**627**	(52)
	3,352	4,395
Deferred tax recognised on employee share options in excess of charge to the income statement charged directly to equity	**(683)**	(1,549)
Effect of exchange rate movements	**36**	(121)
Provision carried forward	**2,705**	2,725

The provision is split as follows in the balance sheet:

	2011 £000	2010 £000	2009 £000
Deferred tax assets	**6,754**	-	-
Deferred tax liabilities	**9,459**	2,725	4,447
	2,705	2,725	4,447

The elements of deferred taxation are as follows:

	2011 £000	2010 £000	2009 £000
Excess of taxation allowances over depreciation on fixed assets	**9,474**	9,249	9,174
Other timing differences	**(2,290)**	(1,765)	(217)
Tax losses carried forward	**(4,479)**	(4,759)	(4,510)
	2,705	2,725	4,447

Of the deferred tax assets as at 31 March 2011 an amount totalling £1,730,000 relating to tax losses brought forward is expected to be recovered within one year. All other deferred tax balances are expected to reverse after more than one year.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

26. Provisions

	Earn-out liability £000	Other provisions £000	Total £000
At 1 April 2009	3,138	27	3,165
Payments made in the year	(209)	(27)	(236)
Reassessment of liability	(1,028)	-	(1,028)
At 31 March / 1 April 2010	1,901	-	1,901
Payments made in the year	(1,022)	-	(1,022)
Reassessment of liability			
Change in assumptions	236	-	236
Foreign exchange gain	(87)	-	(87)
Unwinding of discount	132	-	132
At 31 March 2011	1,160	-	1,160

The earn-out liability relates to a commitment to the former shareholders of Immunodiagnostic Systems SA for each IDS-iSYS instrument placed by the Group as per the Sale and Purchase Agreement. The provision is calculated using current sales forecasts and discounted using a discount rate of 8.9%. The cash outflows are expected to occur annually until 2013.

27. Deferred income

Government grants

	2011 £000	2010 £000
Received and receivable:		
At 1 April	**914**	950
Received in the year	**20**	-
Exchange differences	**(12)**	(36)
At 31 March 2011	**922**	914
Amortisation:		
At 1 April	**761**	572
Credit to income statement	**49**	209
Exchange differences	**(9)**	(20)
At 31 March 2011	**801**	761
Net balance at 31 March	**121**	153

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

28. Commitments under operating leases

At 31 March 2011 the Group had commitments under non-cancellable operating leases as set out below.

	2011 Land and buildings £000	Other £000	2010 Land and buildings £000	Other £000
Amounts payable				
Within 1 year	**249**	**238**	374	217
Within 2 to 5 years	**312**	**213**	599	196
	561	**451**	973	412

29. Related party transactions

Trading transactions

Transactions between the Group and its associated undertakings are as follows:

	2011 £000	2010 £000
Purchases of goods in year	**10**	13
Amounts owed by related parties at year end	**91**	43

As explained in note 16, equity accounting is not used for the associates as they are not considered to be material to the Group as a whole.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in note 5. The total employers' national insurance contributions paid on behalf of directors was £93,000 (2010: £94,000) and the income statement charge in respect of share-based payments to directors was £224,000 (2010: £314,000). In addition, royalties of £32,000 (2010: £10,656) were paid to a director, Mr A Rousseau.

During the year no directors exercised share options.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

30. Share capital

	2011 £000	2010 £000
Equity shares		
Authorised:		
75,000,000 (2010: 75,000,000) Ordinary shares of £0.02 each	**1,500**	1,500

	2011 £000	2010 £000
Allotted, called up and fully paid:		
Ordinary shares of £0.02 each		
27,854,566 (2010: 26,415,813) in issue at 1 April	**557**	528
33,361 were issued at 51p on the exercise of share options	**1**	27
79,422 were issued at 64.5p on the exercise of share options	**1**	1
2,674 were issued at 212p on the exercise of share options	**-**	1
27,970,023 (2010: 27,854,566) in issue at 31 March	**559**	557

The total premium received on the issue of shares during the year was £72,000 (2010: £781,000); no expenses were incurred in relation to the issue of the shares.

31. Share premium

	2011 £000	2010 £000
Balance brought forward	**29,281**	28,500
Premium on shares issued during the year (net of expenses)	**72**	781
At 31 March	**29,353**	29,281

32. Other reserves

	2011 £000	2010 £000
Merger reserve	**583**	583
Share based payments reserve:		
Balance brought forward	**2,137**	518
Charge for the year	**369**	355
Deferred tax recognised in excess of charge to income statement	**683**	1,549
Transfer to retained earnings on exercise of options	**(23)**	(285)
At 31 March	**3,166**	2,137
Currency translation reserve		
Balance brought forward	**9,060**	11,064
Movement in the year	**(756)**	(2,004)
At 31 March	**8,304**	9,060
	12,053	11,780

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

The merger reserve represents the share premium and capital redemption reserve in existence in Immunodiagnostic Systems Limited at the date of merger.

The Black-Scholes method was used to calculate the income statement charge relating to Share Options (note 36).

The currency translation reserve relates to exchange differences arising from restating the Group's net investment in its overseas subsidiaries using the closing rate method.

33. Retained earnings

	2011 £000	2010 £000
Balance brought forward	**19,393**	9,526
Profit for the financial year	**12,991**	8,075
Transfer from other reserves on exercise of share options	**23**	285
Tax benefit on exercise of share options	**213**	1,943
Dividends paid	**(559)**	(436)
At 31 March	**32,061**	19,393

34. Reconciliation of profit before tax to net cash generated from operations

	2011 £000	2010 £000
Profit before tax	**16,636**	10,986
Adjustments for:		
Depreciation of property, plant and equipment	**1,278**	1,005
Amortisation of intangible assets	**2,536**	2,346
Loss on disposal of property, plant and equipment	**36**	78
Share-based payment charge	**369**	355
Release of deferred grants	**(49)**	(209)
Finance income	**(220)**	(259)
Finance costs	**711**	693
Operating cash flows before movements in working capital	**21,297**	14,995
Increase in inventories	**(2,126)**	(868)
Increase in receivables	**(855)**	(2,499)
Increase in payables	**1,051**	103
Cash generated by operations	**19,367**	11,731

35. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2010: £Nil).

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

36. Share based payments

The Group has granted options, which remain exercisable, to subscribe for ordinary shares of £0.02 each, as follows:

	Grant Date	Exercise Price	Period within which options are exercisable		Number of shares for which rights are exercisable	
			From	To	2010	2011
Share Options Agreements	2005	51.0p	22.12.07	22.12.14	8,345	**8,345**
Unapproved Scheme	2007	241.5p	03.09.10	03.09.17	90,970	**90,970**
	2008	189.5p	25.03.11	25.03.18	814,631	**814,631**
	2009	236.5p	22.06.12	22.06.19	607,259	**607,259**
	2010	872.5p	26.09.13	26.09.20	-	**20,000**
	2011	852.5p	03.02.14	03.02.21	-	**20,000**
EMI Share Scheme	2005	51.0p	22.12.07	22.12.14	66,722	**33,361**
	2007	241.5p	03.09.10	03.09.17	41,407	**41,407**
	2008	189.5p	25.03.11	25.03.18	52,770	**52,770**
	2009	236.5p	22.06.12	22.06.19	42,283	**42,283**
SAYE	2006	65.0p	01.07.10	01.01.11	79,422	**-**
	2007	212.0p	01.02.10	01.08.10	2,674	**-**
Total					1,806,483	**1,731,026**

The market price of the shares at 31 March 2011 was 830p and the range during the year was 575p to 975p.

Options may normally be exercised in whole or part within the period of three to ten years after the date of the grant and then only if the performance conditions attached to the options have been satisfied.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

Enterprise Management Initiative Scheme

The Company operates a share option scheme under the Enterprise Management Initiative Scheme ("EMI"). The following share options are held by directors of the Company:

	Options at 01.04.10	Options exercised in year	Options at 31.03.11	Exercise price (pence)	Date from which exercisable	Expiry Date
M Garrity	41,407	-	**41,407**	241.5p	03.09.10	03.09.17
I Cookson	52,770	-	**52,770**	189.5p	25.03.11	25.03.18

Approved Share Option Scheme

Options are granted at the discretion of the Board to employees and full time directors of the Group, save that options will not be granted to individuals due to retire within six months or those individuals who have a material interest in a Company within the Group. No share options were granted under this scheme during the year.

Unapproved Share Option Scheme

	Options at 01.04.10	Options granted in year	Options exercised in year	Options at 31.03.11	Exercise price	Date from which exercisable	Expiry date
R Duggan	66,383	-	-	**66,383**	236.5p	22.06.12	22.06.19
P Hailes	66,383	-	-	**66,383**	236.5p	22.06.12	22.06.19
A Wilks	66,554	-	-	**66,554**	236.5p	22.06.12	22.06.19
M Garrity	90,970	-	-	**90,970**	241.5p	03.09.10	03.09.17
	67,623	-	-	**67,623**	236.5p	22.06.12	22.06.19
	-	20,000	-	**20,000**	852.5p	03.02.14	03.02.21
I Cookson	280,847	-	-	**280,847**	189.5p	25.03.11	25.03.18
	66,383	-	-	**66,383**	236.5p	22.06.12	22.06.19
	-	20,000	-	**20,000**	872.5p	26.09.13	26.09.20
A Rousseau	133,446	-	-	**133,446**	189.5p	25.03.11	25.03.18
	66,554	-	-	**66,554**	236.5p	22.06.12	22.06.19

Performance conditions in relation to the Share Option Agreements, the EMI scheme, the Approved Share Option Scheme and the Unapproved Share Option Scheme are:

Exercise of an option will be dependent upon the achievement by the Company of a specified threshold of earnings per share ("EPS") growth (calculated after excluding amortisation of goodwill, gains and losses on the disposal of assets, changes resulting from the expensing of options through the profit and loss account and any extraordinary or exceptional items at the discretion of the Remuneration Committee) in excess of the growth in Retail Price Index over a three or more years performance period (the "Performance Period"). For an option to become exercisable in full, the growth in EPS of the Company over the Performance Period must exceed the growth in Retail Price Index over the same period by a specified percentage. If the excess is 15 percent or greater in respect of the first three years of the Performance Period then the performance condition is met. Where the performance condition is not met then the Performance Period is extended one financial year at a time and the growth in EPS is increased by five percent for each financial year while the options remain in existence until the performance condition as so increased has been met. As soon as the performance condition is met the options vest in their entirety and become exercisable in whole or in part at any time, subject to the rules of the IDS Approved Share Option Scheme.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

SAYE Share Option Scheme

The SAYE Share Option Scheme is an all employee share scheme; no share options were granted under this scheme during the year.

All UK employees or full time UK directors of the Group who have worked for a minimum period as the Board determines are eligible to participate in the IDS SAYE Share Option Scheme, as long as they do not have a material interest in the Company or a participating company.

Share Based Payments

The number of share options in existence during the year was as follows:

	2011		2010	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1 April	**1,806,483**	**199.0p**	2,595,694	110.0p
Granted during the year	**40,000**	**862.5p**	649,542	236.5p
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**115,457**	**64.0p**	1,438,753	56.0p
Outstanding at 31 March	**1,731,026**	**223.0p**	1,806,483	199.0p
Exercisable at 31 March	**1,041,484**	**191.0p**	77,741	56.5p

Options were valued using the Black-Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows :

	2011	2010
Risk free interest rate	**4%**	4%
Expected volatility	**57.6%**	54.1%
Expected option life in years	**3 years**	3 years
Expected dividend yield	**3%**	3%
Weighted average share price	**862.5p**	237.0p
Weighted average exercise price	**862.5p**	237.0p
Weighted average fair value of options granted	**312.5p**	80.0p

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total fair value of options granted in the year was £125,000 (2010: £520,000).

The options outstanding at 31 March 2011 had an exercise price between 51p and 872.5p (2010: between 51p and 241.5p) and a weighted average remaining contractual life of 7.4 years (2010: 7.9 years).

During 2011, the Group recognised total share-based payment expenses of £369,000 (2010: £355,000) of which £369,000 (2010: £355,000) related to equity-settled share-based payment transactions. After deferred tax the charge was £266,000 (2010: £255,000).

The share-based payment expense recognised in respect of directors is as follows:

R Duggan	17,658
P Hailes	17,658
I Cookson	93,525
A Wilks	17,703
M Garrity	33,383
A Rousseau	43,769
	223,696

37. Financial risk management

The Group's financial instruments comprise bank loans, bank overdraft facility, cash and short-term deposits. The Group has various other financial instruments, such as trade receivables and payables that arise directly from its operations, which have been excluded from the disclosures, other than the currency disclosures.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies for managing these are regularly reviewed and agreed by the Board to ensure that the risk mitigation procedures are compliant with the Group policy and that any new risks are appropriately managed.

It is and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Interest rate risk

The Group finances its operations by a mixture of retained profits and bank borrowings. The Group's policy on interest rate management is agreed at Board level and is reviewed on an ongoing basis. The Group's exposure to interest rate volatility is reduced by means of interest rate swaps. The interest rates applying to the existing hire purchase commitments of £36,000 is fixed at between 8% and 13%.

Interest rate profile

The Group has no financial assets, excluding short-term receivables, other than Sterling cash deposits of £2,612,000 (2010: £1,403,000), Euro cash deposits of £1,674,000 (2010: £2,061,000), US Dollar cash deposits of £1,953,000 (2010: £1,542,000) and Danish Kroner cash deposits of £125,000 (2010: £270,000) which are part of the financing arrangements of the Group.

The interest rate profile of the Group's financial liabilities at 31 March was as follows:

	2011			2010		
Currency	**Total £000**	**Floating £000**	**Fixed £000**	**Total £000**	**Floating £000**	**Fixed £000**
Sterling - Borrowings	-	-	-	29	-	29
Euro - Borrowings	**6,425**	-	**6,425**	11,295	-	11,295
	6,425	-	**6,425**	11,324	-	11,324

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

Liquidity risk

As regards liquidity, the Group's policy throughout the year has been to ensure continuity of funding by means of generated funds supported by the Group's bankers and raising capital. The Group is cash positive in its operations and is expected to be so for the foreseeable future. Facilities are reviewed regularly by the Board, which will consider carefully liquidity risk for any future acquisitions.

Short term flexibility is achieved by overdraft facilities.

Cash forecasts are based on historic trading levels, continued settlement of supplier balances and collection of trade receivables within 60 days. Subject to unforeseen adverse trading conditions, the cash flows from operations are not expected to change significantly. Financing cash flows relating to principal and interest payments in respect of the Group's borrowings are incorporated into the cash forecasts based on contractual maturity dates. The major part of the Group's borrowings are denominated in Euros and attract a variable rate of interest based on Euribor. 50% of the liquidity risk relating to the possibility of an increase in the rate of Euribor is hedged by way of an interest rate swap. The directors consider the possibility of an increase in interest rates such as to negatively impact on the Group's liquidity in the period up to the maturity of the loan to be extremely remote.

Foreign currency risk

The Group has subsidiaries, which operate in the USA and continental Europe. Their revenues and expenses are denominated substantially in currencies other than Sterling. In order to protect the Group's Sterling balance sheet from the movements of these currencies, the Group finances its net investment in these subsidiaries by means of borrowings in their respective functional currencies. The foreign currency risk inherent in anticipated short-term currency requirements is reduced by means of forward exchange contracts.

At the year end, the Group is committed to selling a total of US$10,343,000 for which it will receive €4,718,000 and £2,400,000. The fair value of the forward exchange contracts outstanding at 31 March 2011 was £98,000. Changes in the fair value of foreign exchange contracts amounting to £98,000 have been credited to income in the year.

At the balance sheet date the Group had a loan denominated in Euros of £6,060,000 (2010: £10,448,000) outstanding which has been designated as a hedge against the net investment in a subsidiary company. An exchange gain arising from the hedge during the year amounting to £308,000 (2010: exchange gain of £349,000) has been deferred in equity and will be recognised in the income statement as and when the hedged instrument is derecognised.

The table below shows the Group's currency exposure, being those transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved. At 31 March 2011 these exposures are as follows:

	Net foreign currency monetary assets/(liabilities)			
Functional currency of Group operation	**Sterling £000**	**US Dollar £000**	**Euro £000**	**Total £000**
Sterling	-	1,374	1,920	3,294
	-	1,374	1,920	3,294

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

The exposures at 31 March 2010 for comparison purposes were as follows:

	Net foreign currency monetary assets/(liabilities)			
Functional currency of Group operation	**Sterling £000**	**US Dollar £000**	**Euro £000**	**Total £000**
Sterling	-	66	500	566
	-	66	500	566

The maturity profile of the Group's financial liabilities at 31 March was as follows:

	2011 £000	**2010 £000**
In one year or less	**2,113**	2,681
In more than one year but not more that five years	**4,312**	8,643
	6,425	11,324

Borrowing facilities

The Group had no undrawn committed borrowing facilities at 31 March 2011.

Fair values

There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements.

38. Contingent liabilities

Immunodiagnostic Systems SA has received a grant from the Walloon Regional Government which may become repayable in the future. The amount and timing of any repayment is dependent on the Company's future revenues and, at present, can not be reliably determined. The grant will become repayable if and when the product which is being developed and for which the grant was received enters commercial production and will be repaid as a percentage of the revenue generated from the project. The maximum potential repayment is approximately £2.7m (2010: £3.0m). Included in the net book value of deferred income of £121,000 (see note 27) is an amount of £97,000 (2010: £114,000) relating to the portion of this grant which has not yet been released to the income statement.

The subsidiary ImmunoDiagnostic Systems France SAS is party to a collective agreement under which employees leaving the company to enter retirement are entitled to a payment equivalent to one-tenth of a month's salary for each year of service with the company. No payment is made to employees leaving the company's employment for other reasons. The present value of the potential liability to current employees as at 31 March 2011 is approximately £322,000. No provision has been made for this amount in these financial statements as the directors consider retirement, a future event, to be the event giving rise to the obligation.

Notes to the consolidated financial statements (cont)

year ended 31 March 2011

39. Acquisition of MGP Diagnostics AS

On 26 October 2010, Immunodiagnostic Systems Holdings Plc acquired the entire issued share capital of MGP Diagnostics AS, a company incorporated in Norway which participates in research and development activities, for a cash consideration of £1,635,000.

The primary reason for the acquisition was to gain access to the patent rights to the biomarker Matrix GLA protein (mGLA). The Group has appointed the members of the Board of MGP Diagnostics AS which, together with its 100% shareholding, gives it control.

MGP Diagnostics AS does not meet the definition of a business under IFRS3. The transaction has therefore been accounted for as an asset acquisition.

	26 October 2010 £000
Net assets acquired:	
Intangible assets-Patents	2,033
Total assets	2,033
Total payables	(212)
Accrued charges	(186)
Total liabilities	(398)
	1,635

40. Post balance sheet events

There are no material events after the balance sheet date which are required to be disclosed in the financial statements.

Company balance sheet

year ended 31 March 2011

Company Registration No. 05146193

	Notes	2011 £000	2010 £000
Fixed assets			
Investments	2	**49,643**	47,736
		49,643	47,736
Current assets			
Debtors due within one year	3	**2,845**	637
		2,845	637
Creditors			
Amounts falling due within one year	4	**19,705**	14,875
Net current liabilities		**(16,860)**	(14,238)
Total assets less current liabilities		**32,783**	33,498
Provisions for liabilities			
Other provisions	6	**1,160**	1,901
		31,623	31,597
Capital and reserves			
Called up share capital	7	**559**	557
Share premium account	8	**29,353**	29,281
Other reserves	9	**934**	588
Profit and loss account	10	**777**	1,171
Shareholders' funds	11	**31,623**	31,597

The financial statements on pages 91 to 98 were approved by the Board of Directors and authorised for issue on 24 June 2011 and are signed on its behalf by:

Mr D E Evans
Non-Executive Chairman

Mr P Hailes
Finance Director

Notes to the Company financial statements

year ended 31 March 2011

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards generally accepted in the United Kingdom (UK GAAP). The Company financial statements are presented separately to the consolidated financial statements which have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union.

No separate income statement is included for Immunodiagnostic Systems Holdings Plc as permitted by section 408 (3) of the Companies Act 2006.

b) Investments

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

c) Pension costs

A subsidiary operates a defined contribution pension scheme of which employees of the Company are members. The assets of the scheme are held separately from those of the subsidiary. The annual contributions payable are charged to the profit and loss account.

d) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

e) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

f) Share-based payments

The Company has applied the requirements of FRS 20 Share-based Payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 April 2006.

The Company 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 vested 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 price 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.

Notes to the Company financial statements (cont)

year ended 31 March 2011

2. Investments

	Investment in subsidiary undertakings £000
Cost	
At 1 April 2009	36,345
Acquisition of subsidiary undertakings	12,299
Reduction in contingent consideration	(950)
Share options to subsidiaries' employees	42
At 31 March/1 April 2010	47,736
Acquisition of subsidiary undertakings	1,635
Increase in contingent consideration	236
Share options to subsidiaries' employees	36
At 31 March 2011	**49,643**
Net book value	
At 31 March 2011	**49,643**
At 31 March 2010	47,736
At 31 March 2009	36,345

The Company owns 100% of the issued ordinary share capital and voting rights of Immunodiagnostic Systems Limited, an unlisted company incorporated in England. The results of the subsidiary and its subsidiaries have been consolidated within the Group accounts. Their principal activity during the year was that of manufacturing and distributing medical diagnostic products. That company is also actively involved in research and development projects.

The Company owns 100% of the share capital of Immunodiagnostic Systems Nordic A/S, an unlisted company incorporated in Denmark. The results of the subsidiary have been consolidated within the Group accounts. Its principal activity during the year was that of distributing medical diagnostic products.

The Company owns 100% of the share capital of Immunodiagnostic Systems SA, an unlisted company incorporated in Belgium. The results of the subsidiary have been consolidated within the Group accounts. Its principal activity during the year was that of manufacturing and distributing diagnostic test kits in particular for use on the Group's automated platform. That company is also actively involved in research and development projects.

The Company owns 100% of the share capital of ImmunoDiagnostic Systems France SAS, an unlisted company incorporated in France. The results of the subsidiary have been consolidated within the Group accounts. Its principal activities during the year were those of manufacturing and distributing automated instruments and the distribution of the Group's products in France. That company is also actively involved in research and development projects.

During the year, the Company acquired 100% of the share capital of MGP Diagnostics AS, an unlisted company incorporated in Norway. Its principal activity during the year was that of the management of intellectual property rights and cooperation in research and development projects. The results of the subsidiary since the date of acquisition have been consolidated within the Group accounts.

Notes to the Company financial statements (cont)

year ended 31 March 2011

3. Debtors

	2011 £000	2010 £000
Amounts owed by Group undertakings	**2,621**	486
Prepayments and accrued income	**-**	3
Deferred tax asset (see note 5)	**224**	148
	2,845	637

4. Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	**96**	15
Amounts due to Group undertakings	**19,431**	14,772
Corporation Tax payable	**63**	-
Accruals and deferred income	**115**	88
	19,705	14,875

5. Deferred Taxation

	2011 £000	2010 £000
The movement in deferred tax during the year was:		
Asset brought forward	**148**	118
Profit and loss account movement arising during the year	**76**	30
Total deferred tax	**76**	30
Asset carried forward	**224**	148

The deferred taxation relates to timing differences between the accounting and tax treatment of share options.

6. Other provisions

	Earn-out liability £000	Other provisions £000	Total £000
At 1 April 2009	3,138	27	3,165
Payments made in the year	(209)	(27)	(236)
Reassessment of liability	(1,028)	-	(1,028)
At 31 March / 1 April 2010	1,901	-	1,901
Payments made in the year	(1,022)	-	(1,022)
Reassessment of liability			
Change in assumptions	236	-	236
Foreign exchange gain	(87)	-	(87)
Unwinding of discount	132	-	132
At 31 March 2011	**1,160**	**-**	**1,160**

The earn-out liability relates to a commitment to the former shareholders of Immunodiagnostic Systems SA for each IDS-iSYS instrument placed by the Group as per the Sale and Purchase Agreement. The provision is calculated using current sales forecasts and discounted using a discount rate of 8.9%. The cash outflows are expected to occur annually until 2013.

Notes to the Company financial statements (cont)

year ended 31 March 2011

7. Share capital

	2011 £000	2010 £000
Equity shares		
Authorised:		
75,000,000 ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2011 £000	2010 £000
Allotted, called up and fully paid:		
27,970,023 (2010: 27,854,566) ordinary shares of £0.02 each	**559**	557
	559	557

During the year the Company issued a total of 115,457 ordinary shares of 2p each, of which 2,674 were issued at 212p, 33,361 were issued at 51p and 79,422 were issued at 64.5p, all on the exercise of share options. The total premium received on the issue of shares during the year was £72,000.

8. Share premium

	2011 £000	2010 £000
Balance brought forward	**29,281**	28,500
Premium on shares issued during the year	**72**	781
At 31 March	**29,353**	29,281

9. Other reserves

	2011 £000	2010 £000
Share options reserve		
Balance brought forward	**588**	518
Charge for the year	**369**	355
Transfer for options exercised in the year	**(23)**	(285)
At 31 March	**934**	588

The Black-Scholes method was used to calculate the profit & loss charge relating to share options.

10. Profit and loss account

	2011 £000	2010 £000
Balance brought forward	**1,170**	95
Profit for the financial year	**143**	1,226
Transfer from share options reserve	**23**	285
Dividends paid	**(559)**	(436)
At 31 March	**777**	1,170

Notes to the Company financial statements (cont)

year ended 31 March 2011

11. Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit for the financial period	**143**	1,226
Dividends paid	**(559)**	(436)
Share based payments charged to equity reserve	**369**	355
	(47)	1,145
Issue of shares	**74**	816
Net addition to shareholders' funds	**27**	1,961
Opening shareholders' equity funds	**31,597**	29,636
Closing shareholders' equity funds	**31,624**	31,597
Total shareholders' funds	**31,624**	31,597

12. Share-based payments

The Company has granted options, which remain exercisable, to subscribe for ordinary shares of £0.02 each, as follows:

	Grant Date	Exercise Price	Period within which options are exercisable		Number of shares for which rights are exercisable	
			From	To	2010	2011
Share Options Agreements	2005	51.0p	22.12.07	22.12.14	8,345	**8,345**
Unapproved Scheme	2007	241.5p	03.09.10	03.09.17	90,970	**90,970**
	2008	189.5p	25.03.11	25.03.18	814,631	**814,631**
	2009	236.5p	22.06.12	22.06.19	516,096	**516,096**
	2010	872.5p	26.09.13	26.09.20	0	**20,000**
	2011	852.5p	03.02.14	03.02.21	0	**20,000**
EMI Share Scheme	2007	241.5p	03.09.10	03.09.17	41,407	**41,407**
	2008	189.5p	25.03.11	25.03.18	52,770	**52,770**
Total					1,524,219	**1,564,219**

The market price of the shares at 31 March 2011 was 830p and the range during the year was 575p to 975p.

Options may normally be exercised in whole or part within the period of three to ten years after the date of the grant and then only if the performance conditions attached to the options have been satisfied.

The share options granted will only be exercisable upon the achievement of the performance criteria.

Notes to the Company financial statements (cont)

year ended 31 March 2011

Enterprise Management Initiative Scheme

The Company operated a share option scheme under the Enterprise Management Initiative Scheme ("EMI"). The following share options are held by directors of the Company:

	Options at 01.04.10	Options exercised in year	Options at 31.03.11	Exercise price	Date from which exercisable	Expiry Date
M Garrity	41,407	-	**41,407**	241.5p	03.09.10	03.09.17
I Cookson	52,770	-	**52,770**	189.5p	25.03.11	25.03.18

Approved Share Option Scheme

Options are granted at the discretion of the Board to employees and full time directors of the Group, save that options will not be granted to individuals due to retire within six months or those individuals who have a material interest in a company within the Group. No share options were granted under this scheme during the year.

Unapproved Share Option Scheme

	Options at 01.04.10	Options granted in year	Options exercised in year	Options at 31.03.11	Exercise price	Date from which exercisable	Expiry date
R Duggan	66,383	-	-	**66,383**	236.5p	22.06.12	22.06.19
P Hailes	66,383	-	-	**66,383**	236.5p	22.06.12	22.06.19
A Wilks	66,554	-	-	**66,554**	236.5p	22.06.12	22.06.19
M Garrity	90,970	-	-	**90,970**	241.5p	03.09.10	03.09.17
	67,623	-	-	**67,623**	236.5p	22.06.12	22.06.19
	-	20,000	-	**20,000**	852.5p	03.02.14	03.02.21
I Cookson	280,847	-	-	**280,847**	189.5p	25.03.11	25.03.18
	66,383	-	-	**66,383**	236.5p	22.06.12	22.06.19
	-	20,000	-	**20,000**	872.5p	26.09.13	26.09.20
A Rousseau	133,446	-	-	**133,446**	189.5p	25.03.11	25.03.18
	66,554	-	-	**66,554**	236.5p	22.06.12	22.06.19

Performance conditions in relation to the Share Option Agreements, the EMI scheme, the Approved Share Option Scheme and the Unapproved Share Option Scheme are:

Exercise of an option will be dependent upon the achievement by the Company of a specified threshold of earnings per share ("EPS") growth (calculated after excluding amortisation of goodwill, gains and losses on the disposal of assets, changes resulting from the expensing of options through the profit and loss account and any extraordinary or exceptional items at the discretion of the Remuneration Committee) in excess of the growth in Retail Price Index over a three or more years performance period (the "Performance Period"). For an option to become exercisable in full, the growth in EPS of the Company over the Performance Period must exceed the growth in Retail Price Index over the same period by a specified percentage. If the excess is 15 percent or greater in respect of the first three years of the Performance Period then the performance condition is met. Where the performance condition is not met then the Performance Period is extended one financial year at a time and the growth in EPS is increased by five percent for each financial year while the options remain in existence until the performance condition as so increased has been met. As soon as the performance condition is met the options vest in their entirety and become exercisable in whole or in part at any time, subject to the rules of the IDS Approved Share Option Scheme.

Notes to the Company financial statements (cont)

year ended 31 March 2011

SAYE Share Option Scheme

The SAYE Share Option Scheme is an all employee share scheme.

All UK employees or full time UK directors of the Company who have worked for a minimum period as the Board determines are eligible to participate in the IDS SAYE Share Option Scheme, as long as they do not have a material interest in the Company or a participating company.

The number of share options in existence during the year was as follows:

	2011		2010	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1 April	**1,524,219**	**209.0p**	2,275,866	115.0p
Granted during the year	**40,000**	**862.5p**	516,096	236.5p
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	1,267,743	51.0p
Outstanding at 31 March	**1,564,219**	**226.0p**	1,524,219	209.0p
Exercisable at 31 March	**1,008,123**	**195.0p**	-	-

Options were valued using the Black-Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows :

	2011	2010
Risk free interest rate	**4%**	4%
Expected volatility	**57.6%**	54.1%
Expected option life in years	**3 years**	3 years
Expected dividend yield	**3%**	3%
Weighted average share price	**862.5p**	236.5p
Weighted average exercise price	**862.5p**	236.5p
Weighted average fair value of options granted	**312.5p**	80.0p

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average fair value of options granted in the year was £125,000 (2010 - £412,000).

The options outstanding at 31 March 2011 had an exercise price between 51.0p and 872.5p (2010 – between 51.0p and 241.5p) and a weighted average remaining contractual life of 7.4 years (2010 – 8.3 years).

During 2011, the Company recognised total share-based payment expenses of £333,000 (2010 - £313,000) of which £333,000 (2010 - £313,000) related to equity-settled share-based payment transactions. After deferred tax the charge was £240,000 (2010 - £225,000).

Glossary

Analyte
The substance 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 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.

Biochemistry
As used here, assays not employing immunoassay or antibodies, but (relatively) simple colorimetric chemical or amperometric ionic reactions to determine e.g. calcium ions, urinary creatinine, etc.

Biomarker
An analyte present in a biological sample whose presence or concentration is indicative of a disease state.

cGMP
Current Good Manufacturing Practice (cGMP) ensures that quality is built into the organisation and processes involved in manufacture. cGMP covers all aspects of 'manufacture' including collection, transportation, processing, storage, quality control and delivery of the finished product.

Closed System
An analyser that is designed to use only reagents specifically designed, manufactured and formatted for use on such an analyser according to pre-set programmes not amenable to end-user variation.

Conjugate
An entity formed by coupling two substances together. In immunoassays the term generally refers to the labelled entity in the assay (e.g. enzyme-labelled antibody).

CRM
Customer relationship management, denoting strategies and software that enable a company to optimise its customer relations.

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, as part of the signal generation system.

ERP
Enterprise resource planning, the management of all the information and resources involved in a company's operations by means of an integrated computer system.

FDA
United States Food & Drug Administration.

FDA 510(k)
Pre-market medical device approval issued by the United States Food & Drug Administration. Required for the import and sale of FDA class II IVDs in the United States.

Gamma B
Is the term used to refer collectively to Radioimmunoassay (RIA) kits produced by IDS. This group of products excludes Vitamin D RIA kits.

IDS-iSYS system
The name of IDS' fully-automated immunoassay system.

Immunoassay
An assay which uses the specificity of the antibody-antigen binding to measure or detect an analyte.

In vitro
Literally 'in glass'. It refers to a process or biological reaction taking place outside a living system.

Glossary (cont)

In Vitro Diagnostics (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.

ISO 13485
An ISO standard for quality management systems that defines rules for assessing the robustness of a medical device developer's quality assurance processes.

Marker
In the present context, a synonym for Biomarker.

Monoclonal antibodies
Made by producing a single antibody cell line so that it will secrete a specific antibody indefinitely. The antibodies produced are therefore all the same. Monoclonal antibodies are used in diagnostics and in purifying useful proteins from mixtures.

Octeia
Is the term used to refer collectively to Enzyme immunoassay (EIA) kits produced by IDS. This group of products excludes Vitamin D ELISA kits.

Open System
An analyser that is designed to accept generic as opposed to instrument-specific reagents enabling end-users to use products from one or more manufacturers of similarly formatted products and where the end-user can determine analytical programmes.

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.

Research Use Only (RUO)
In the present context, an immunoassay that does not have regulatory approval for use as an IVD and can only be used for research purposes.

TRAP
Tartrate-resistant acid phosphatases. This enzyme when measured effectively helps to find out the rate at which bone is broken down.

Notes

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