immunodiagnosticsystems

Immunodiagnostic Systems Holdings PLC

Annual report & accounts 2012

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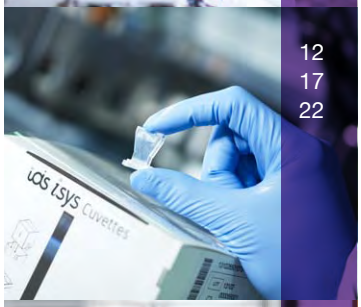

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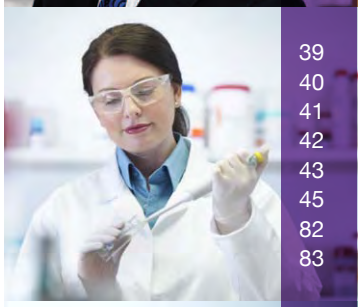

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Who we are

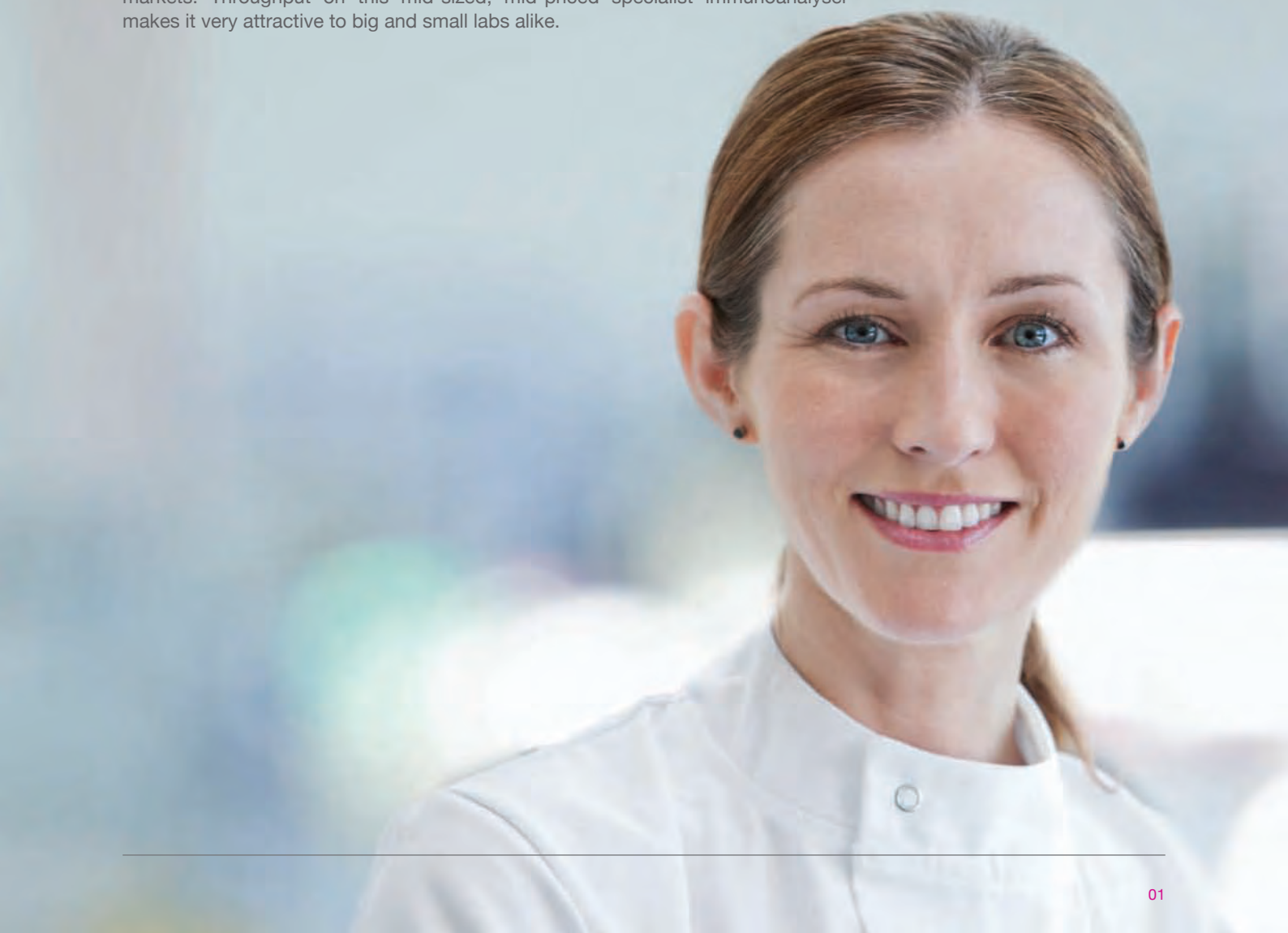
The Group is dedicated to the development and provision of innovative immunoassay tests and automated immunoanalyser technologies (through the IDS-iSYS system) for use in research, medical and pharmaceutical applications worldwide.

The Group has established a leading position in the provision of immunoassay tests for the determination of vitamin D (both 25-Hydroxy and 1,25-Dihydroxy). We are determined to remain at the forefront of vitamin D testing globally.

The IDS-iSYS automated analyser has enabled the Group to commence the development of a specialist menu of automated assays that reflect the Group's research and development capabilities to address patient needs while establishing revenues that are independent of vitamin D testing. The development of this specialist menu ideally positions the Group's products for reference laboratories and clinical research organisations, whilst also providing economic solutions for a range of testing for small- to mid-sized laboratories.

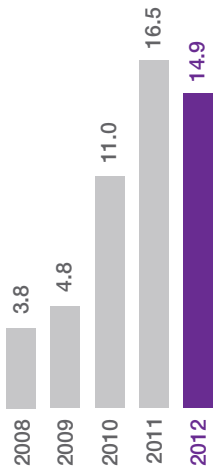
The Group recognises that high-quality, automated, clinically validated assays are key to improving laboratory standards and, subsequently, patient care. To this end the Group is committed to delivering a continuous pipeline of speciality assays for the IDS-iSYS to advance and enhance the quality of diagnostic results.

Bringing this excellence in automation to the Group's 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.

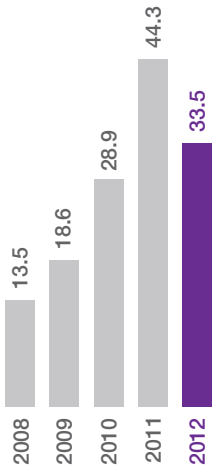


Highlights

Adjusted* profit before tax March 2008-2012 £m



Adjusted* diluted earnings per share March 2008-2012 pence



* Adjusted for exceptional items and changes in accounting estimates.

Financial highlights

- Continued revenue growth up 7% to £53.7m (2011: £50.2m)
  - Automated revenues (IDS-iSYS), 34% of revenues, increased by 57% to £18.2m (2011: £11.6m)
  - Revenues from manual tests, 66% of revenues, decreased by 8% to £35.4m (2011: £38.6m)
- Gross margin stable at 74.7% (2011: 74.7%)
- Adjusted profit before tax decreased by 9.5% to £14.9m (2011: £16.5m) before charging
  - Non-recurring items of £5.2m (2011: £nil)
  - Changes in accounting estimates of £2.5m (2011: £nil)
- Profit before tax decreased to £7.3m (2011: £16.5m)
- Adjusted basic EPS before exceptional costs of 34.6p (2011: 46.1p)
- Basic EPS of 16.7p (2011: 46.1p)
- Proposed dividend up 10.0% to 2.75p (2011: 2.5p)
- Cash generated of £7.0m during the financial year, closing net cash of £6.9m (2011: net debt £0.1m)

Operational highlights

- Revenue from vitamin D franchise grew in the face of increased competition
- Maintained vitamin D pricing despite challenging market conditions
- Increased the number of IDS-iSYS system placements by 52% to 367 (2011: 241)
- Launched two IDS-iSYS assays. PTH 1-34 assay for the quantitative determination of parathyroid hormone levels in human serum or plasma and 1,25-Dihydroxy vitamin D assay. IDS-iSYS is the only automated system that can run both 25-Hydroxy vitamin D and 1,25-Dihydroxy vitamin D

Chairman's statement

This is my first year reporting as Chairman of the Company

Anthony Martin
Chairman

"Despite a challenging year, we are pleased to report an increase in revenue of £3.5m to £53.7m (2011: £50.2m), up 7%"

Despite a challenging year, we are pleased to report an increase in revenue of £3.5m to £53.7m (2011: £50.2m), up 7%. This growth has been achieved through an increase in revenue of 9% from our total range of vitamin D products and by the Group's products based on our automated IDS-iSYS testing system continuing to gain traction. The Group's adjusted profit before tax has decreased by 9.5% during the year to £14.9m (2011: £16.5m) before charging £5.2m (2011: £nil) of non-recurring items and £2.5m (2011: £nil) relating to changes in accounting estimates.

Market dynamics and strategy

Our shareholders will be aware of the significant developments in the vitamin D market that have largely fuelled the last five years' growth of the Group. Whilst the vitamin D market continues to grow, albeit at a slower rate to that witnessed in the past, the entry of a number of the industry majors has slowed the rate of placement of IDS-iSYS systems and also resulted in increased pricing pressure in the marketplace. In response, the Group has refocused its efforts in sales and marketing and is targeting key customer groups in small- to medium-sized labs which we believe are best suited to the IDS-iSYS platform and our growing range of assays. The Group's existing menu of specialist assays and those in the pipeline are particularly suited to these labs where the specialised nature of the testing lends itself to a smaller instrument testing system like the IDS-iSYS, as opposed to larger workhorse instruments supplied by other operators that are more suited to higher throughput testing.

Continued price pressures in vitamin D testing will remain a challenge, but we have a strategy to deliver an impressive pipeline of new products that will assist in "anchoring" existing IDS-iSYS placements and facilitate the placement of new ones. The Group's automated 1,25-Dihydroxy vitamin D product is a world first and a natural twin with 25-Hydroxy vitamin D. The recent launch of our automated hypertension panel of aldosterone and total renin means that the IDS-iSYS system now supports a total of 13 specialist immunoassays. We have further product launches scheduled for later this year.

Our two current OEM partners for the IDS-iSYS have both made progress in the year. Technogenetics of Italy has increased the number of system placements and is expected to launch a new range of infectious disease tests in the current financial year. Omega Diagnostics Group plc expect to launch their allergy tests on the IDS-iSYS in the next 12 months. Further OEM opportunities, using the IDS-iSYS system in other diagnostic areas, continue to be sought.

Board and management

During the year, David Evans stepped down as Chairman, Paul Hailes retired as Chief Financial Officer and was replaced by Gerard Murray on 1 April 2012 and Roland Sackers joined the Board as a Non-executive Director.

Today we announce that Ian Cookson is stepping down with immediate effect as Chief Executive Officer. The Board is currently in discussions with a candidate who has substantial diagnostic and international industry experience and hopes to announce an appointment to the role of CEO in the near future.

All our thanks go to David, Ian and Paul for their years of service to the Company.

Chairman's statement continued

"The Group has a strong balance sheet having paid off its outstanding debt since the financial year end"

£9.2m

Cash today
The Group has cash balances of approximately £9.2m as of today.

Group restructuring

We also successfully executed a restructuring programme during the last quarter of the financial year to effect a reduction in our cost base in non-market facing operational areas. This is an ongoing process but we are targeting a reduction of some £2.0m from our operating costs, which has incurred a non-recurring charge of £1.3m this year.

Strategic review

A strategic review began in the last quarter of the year ended 31 March 2012 with the intention to put in place an accelerated product development plan to deliver both specialist biomarkers with patent protection and more established targets such as a comprehensive diabetes panel. The expansion and diversification of the IDS-iSYS test menu remains the core strategy of the Group, together with geographic expansion into new markets and a focus on those small- to medium-sized laboratories that can best take advantage of the system. The Group has a strong balance sheet having paid off its outstanding debt since the financial year end and will seek to use this cash generation to fund the accelerated development programme.

Financial reporting

Elsewhere in this report, we have detailed some specific changes to a number of our accounting policies as well as the impact that a number of recent developments have had on our balance sheet. These issues have given rise to a number of adjustments to our financial statements to both the current and prior years. While the combined impact of these changes is significant, in terms of reported profit before operations, a large proportion of the costs being recognised are one-off and non-cash items. The Board believes that these adjustments are appropriate and will allow shareholders to understand our business more clearly.

It is important to state that the Group remains profitable and many of the accounting adjustments do not adversely impact future cash flows. The ongoing cash generative capacity of the Group is reflected by the fact that the bank loan of £4.1m that was outstanding at 31 March 2012 has subsequently been discharged in full and the Group has cash balances of approximately £9.2m as of today compared to net cash (after deducting the value of the bank loan) of £6.9m at 31 March 2012.

Dividend

The Board remains confident about the market opportunities that are available to the Group and this is reflected in the strong cash generation nature of the business. Consequently the Board have recommended a dividend of 2.75p (2011: 2.5p).

Outlook

Trading for the first three months of the current financial year is in line with management expectations and we have continued to place additional IDS-iSYS systems. More recently we have secured new accounts for both our automated IDS-iSYS test for 1,25-Dihydroxy vitamin D and also for our new hypertension assays launched within the past few weeks.

Your Board is working hard to continue to build the Company and increase shareholder value in what is a challenging business environment. Despite the much more competitive market, we have increased our vitamin D revenues while at the same time diversifying the product range to broaden the appeal of the IDS-iSYS system and reduce the influence of changes in the vitamin D market.

Costs are being continuously monitored to ensure resources are targeted at the key drivers for the business which are development productivity and niche marketing and sales activities to target the customer base benefiting most from the Group's products.

Following a challenging year, the Board has implemented the necessary changes and believes that the Group is now in a better position to capitalise on the progress made during the recent period. The Board continues to believe that revenues in the current year will show similar year-on-year growth to those achieved in the year ended 31 March 2012. As a result of the competitive change in the vitamin D market the Group's trading so far this financial year is at a lower level than last year but is in line with the Board's expectations. Revenue growth through the year is anticipated to be weighted to the second half of the financial year, reflecting the Board's expectation of increasing demand for existing and recently launched assays driven by an installed base of IDS-iSYS instruments that is also expected to continue to increase throughout the year. The full benefit of recent cost-saving initiatives is not expected to be fully realised until the second half of the current financial year.

Finally, I would like to formally thank both our employees worldwide for their commitment and our shareholders for their continued support over the past year.

Anthony Martin
Non-executive Chairman

22 June 2012

"We have increased our vitamin D revenues while at the same time diversifying the product range"

Group strategy

The strategic intent of the Group is to hold a leadership position in specialist diagnostics such that our products complement the products supplied by the larger diagnostic providers rather than compete directly 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 arthritis, osteoarthritis, and renal and cardiovascular disease. The spiralling socioeconomic costs of fractures and other age-related morbidities are driving the need for better tools to monitor health and diagnose disease onset much earlier, and the Group intends to play a full part in this.

We have developed an automated, compact, efficient immunoassay system, that when combined with a carefully selected specialist automated assay menu, should lead to an expanded installed base to which future pipeline products can be added. We actively encourage the discovery of novel biomarkers in our selected specialist fields, and drive towards their successful commercialisation.

As a leading innovative diagnostic provider, our mission is to deliver improved outcomes for patients in our selected fields of speciality.

IDS-iSYS automated immunoassay strategy

The Group acquired Biocode Hycel in 2007. The result of combining Biocode Hycel's more than 40 years' experience in the manufacture of laboratory automation with the Group's strong pedigree in specialist immunoassay development resulted in the launch of the IDS-iSYS system in 2009.

The IDS-iSYS system enables the Group 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 workflow efficiencies due to increasing workload.

The IDS-iSYS can meet the needs of the most demanding laboratory and has been designed without compromise, utilising precision engineering and proven technology to ensure first-class quality assay performance and high levels of reliability.

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

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

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. The "stat" function enables any urgent samples to be prioritised onto the system's work list without delay.

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

Our business model

Our target is the lower volume, higher value test menu that will continue to address the growing need for tests for osteoporosis, rheumatoid arthritis and osteoarthritis, hypertension and more.

IDS business model today

Automated testing central IDS-iSYS (including OEM agreements)	**34%** of revenues **57%** revenue growth	• Direct sales and service in key markets • Reagent rental model dominates • Revenues from sales of high margin tests and ancillaries	Drive revenues in the professional laboratory testing market • Research • Pharma • Clinical
		• Distributor agreements in other markets to optimise global footprint • Sales of systems, tests and ancillaries	
		• Analysers for third parties under OEM agreements • Revenues from sales of systems and ancillaries • Revenues from licence fees and royalty payments	
Manual testing	**66%** of revenues **-8%** revenue growth	• Revenues generated from selling test kits • Transition of manual vitamin D testing to automated IDS-iSYS system • Strong franchise in research and specialist clinical segments	

Our products

The Group has a range of manual and automated assays across its selected panels.

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) and vitamin D that are circulating in the body.
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.
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.
Hypertension	One in three 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.
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.
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.

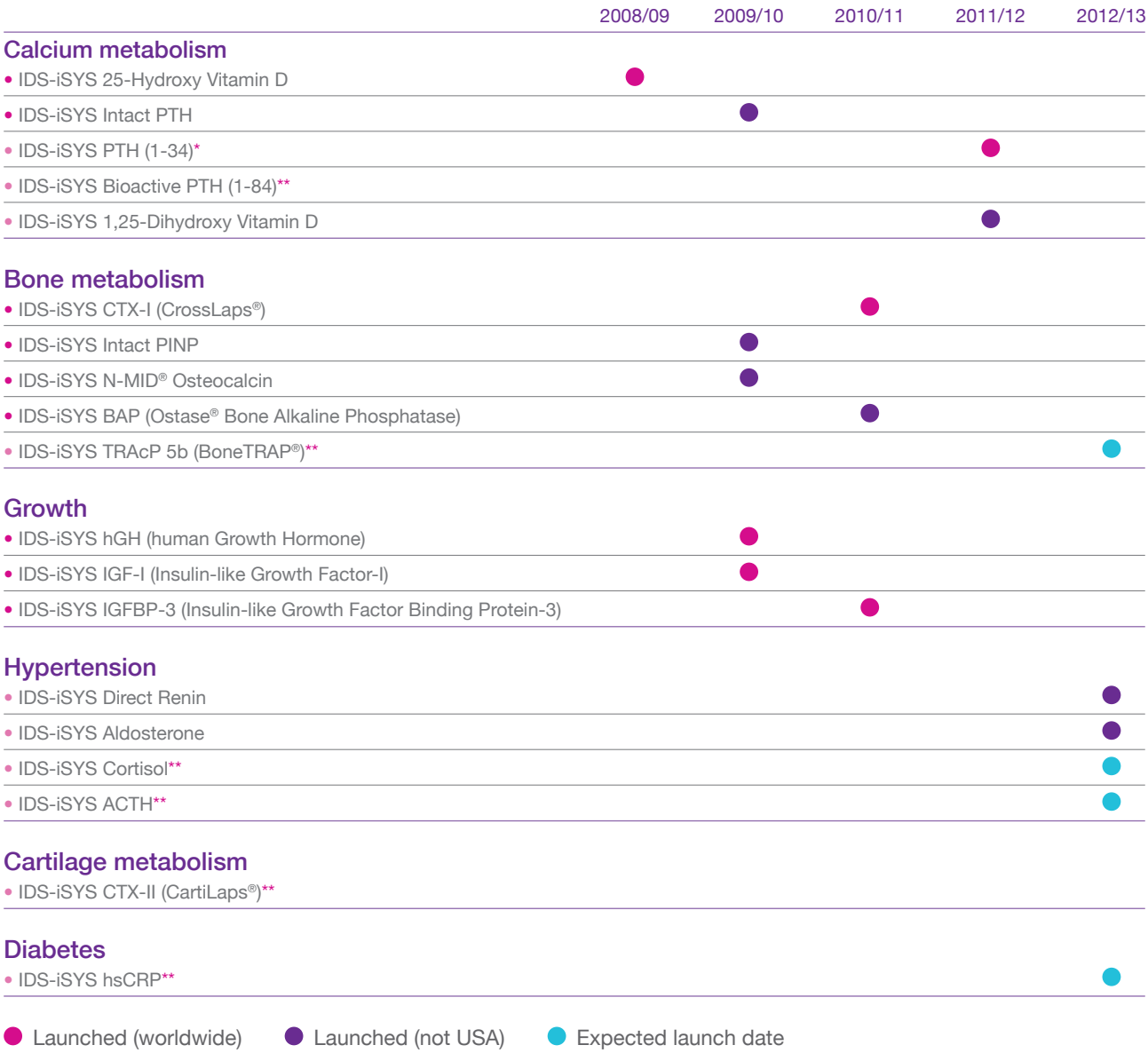
Automated assay menu	Manual assay menu
• IDS-iSYS 25-Hydroxy Vitamin D • IDS-iSYS Intact PTH • IDS-iSYS PTH (1-34) • IDS-iSYS Bioactive PTH (1-84)** • IDS-iSYS 1,25-Dihydroxy Vitamin D	• 25-Hydroxy Vitamin D • 1,25-Dihydroxy Vitamin D
• IDS-iSYS CTX-I (CrossLaps®) • IDS-iSYS Intact PINP • IDS-iSYS N-MID® Osteocalcin^ • IDS-iSYS BAP (Ostase® Bone Alkaline Phosphatase)^ • IDS-iSYS TRAcP 5b (BoneTRAP®)**	• 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)*
• 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)	• 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)*
• IDS-iSYS Direct Renin • IDS-iSYS Aldosterone • IDS-iSYS Cortisol** • IDS-iSYS ACTH**	
• IDS-iSYS CTX-II (CartiLaps®)**	• Serum Pre-Clinical CartiLaps® (CTX-II)* • Urine Pre-Clinical CartiLaps® (CTX-II)* • Urine CartiLaps® (CTX-II)^
• IDS-iSYS mGLA**	• matrix GLA**

* Research use ** In development ^ USA: For research use

Ostase® is a registered trademark of Hybritech Incorporated, a subsidiary of Beckman Coulter. Inc

Our product pipeline

The Group is building a compelling menu offering for the IDS-iSYS system.



* Research use ** In development

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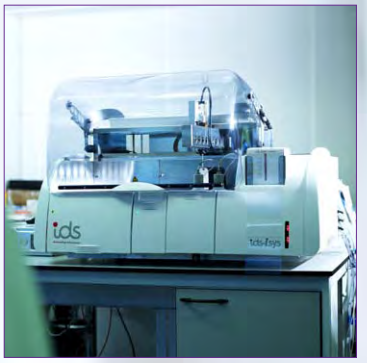
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Operational review

Despite difficult trading conditions the Group has continued to make progress throughout the year. Revenues grew by 7%, IDS-iSYS system revenues increased by 57%, the number of IDS-iSYS placements increased by 52% and two additional tests were added to the IDS-iSYS menu during the financial year.

The Group's revenues show a degree of weighting towards the second half which has not been apparent in previous years due to very high growth rates in vitamin D testing more than compensating for any such effect. It is expected such a second half weighting to our revenues will remain a feature in the current financial year as the recently launched assays are expected to contribute more growth in revenue in the second half as they become established in the market.

"The Group continues to pursue its strategy of developing and marketing a range of specialist tests in areas not well served by existing providers"

Product development

The Group continues to pursue its strategy of developing and marketing a range of specialist tests in areas not well served by existing providers in order to differentiate the Group from its competitors. The IDS-iSYS system and its test menu fulfil a significant unmet market need and are particularly suited for the small- to medium-sized laboratories. Increasing the range of tests available will enhance the value and appeal of the system and during the last year we expanded the IDS-iSYS product menu by launching a further two assays including 1,25-Dihydroxy Vitamin D (1,25 diOH vit D), the first ever automated test for this important analyte.

The assay addresses a market where approximately five million 1,25 diOH vit D tests are performed annually across Europe and USA. Compared to existing manual tests, both time to first result and test throughput are significantly improved. The availability of both 25 Hydroxy- and 1,25-Dihydroxy Vitamin D on the same automated system should improve efficiencies in vitamin D testing for laboratories and increase the value of the IDS-iSYS systems already in place, as well as supporting new system placements. The launch of this assay, announced on 4 April 2012, brought the total menu to eleven, seven of which are available in the USA, at the end of the financial year.

Since the end of the financial year a further two IDS-iSYS tests have been launched, both for investigating the cause of hypertension. One out of three people worldwide suffers from hypertension, and for the population over 50 years of age, the prevalence is increased to one out of two people. The IDS-iSYS aldosterone assay is, we believe, the only automated assay on the market, and together with the IDS-iSYS renin assay makes the IDS-iSYS the only system on which this complementary pair of assays is available. Together they have a specific role in diagnosing the most prevalent form of secondary hypertension (Conn's syndrome or primary aldosteronism). The prevalence of primary aldosteronism is 10% to 13% of total hypertensive patients.

The current market value (Europe and USA) is estimated at over £8m for renin testing, and over £10m for aldosterone testing. The Board believes that the increased convenience of having both assays on one system, and the potential time saving compared to manual methods, will increase adoption of these tests, potentially more than doubling the number of laboratories performing these assays over a three-year period.

In addition, the Group expects to launch up to three more new tests in the new financial year in the areas of bone, hypertension and diabetes, further expanding the menu and differentiating the platform. The Group will also continue to pursue additional out-licensing opportunities for the IDS-iSYS technology.

Operational review continued

"Revenue derived from the Group's automated IDS-iSYS testing system increased by 57% to £18.2m (2011: £11.6m)"

Manual test revenue

Revenue from manual tests representing 66% (2011: 73%) of Group revenue reduced by 8% compared to the previous year at £35.4m (2011: £38.6m) primarily due to manual vitamin D sales, £25.8m (2011: £28.3m), which accounted for over £2.5m of this fall in revenue. The pricing environment was relatively stable for the period with overall volume of unit tests sold falling by 11%.

Vitamin D

Despite declining manual revenues in vitamin D, total vitamin D revenues increased by 9% to £37.0m (2011: £34.1m) due to increased automated testing on the IDS-iSYS.

Due to the well-publicised arrival of additional competitors in both the European and US markets the Board expects the pressure on vitamin D revenues to persist as alternative products, both manual and automated, increase competition and reduce unit pricing. Consequently, manual vitamin D revenue is expected to show continued decline in the medium term while we continue to make additional automated vitamin D sales. This will be achieved by concentrating our sales focus on those small- to medium-sized laboratories, which are particularly well suited to the IDS-iSYS. Laboratories previously choosing not to test vitamin D in-house represent the largest single group of IDS-iSYS adopters and it is expected this will continue to be the case. Typically these laboratories are smaller users in terms of volume but allow more attractive pricing than larger users.

IDS-iSYS system

Revenue derived from the Group's automated IDS-iSYS testing system increased by 57% to £18.2m (2011: £11.6m), equating to 34% (2011: 23%) of total Group revenue. This increased proportion of Group revenue reflects good progress in transitioning the Group's business model to be based on its own automated testing system.

A total of 79 (2011: 81) instruments (net of returns) have been sold or placed through our direct sales operation, similar to the previous year. A total of 19 systems were returned, including eight sub-contracted to a competitor on a fixed-term basis while they were unable to supply their own customers. The other returned systems were largely early placements made in France without regulated contracts into private laboratories which have been subject to subsequent consolidation.

The total number of IDS-iSYS systems placed or sold as at 31 March 2012 was 367 units (net of returns) which has been achieved since its launch in February 2009.

	2010		2011		2012	
Year ended 31 March	H1	H2	H1	H2	H1	H2
Reagent rental	12	31	62	113	160	192
Distributors	5	19	28	46	51	54
OEM and partners	10	24	50	82	111	121
Total	27	74	140	241	322	367

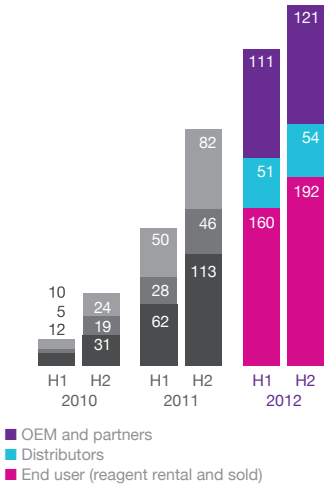
The average annualised reagent revenue for systems placed by our direct sales teams was £84,000 (2011: £102,000). This reduction in average revenue per system had been expected because in periods prior to the year ended 31 March 2011, a number of early IDS-iSYS system placements were made to high throughput customers. This has been followed by placements in laboratories with lower rates of test throughput in the year ended 31 March 2012 which has lowered the average revenue per instrument. While the majority of IDS-iSYS revenues currently come from vitamin D testing, the continuing expansion of the IDS-iSYS test menu will provide the opportunity for non-vitamin D focused customers to take system placements.

Sales of IDS-iSYS systems to our distributors were 8 (2011: 27) and to OEM customers, 39 (2011: 58). This was lower than in the previous year and we are working with our distributors on ways to make it easier for them to place the IDS-iSYS system. Our main OEM customer, Technogenetics of Italy, marketing its IDS-iSYS-based tests for autoimmune disease through Menarini, has increased its placements to end users throughout the year and expects further growth in revenue when it launches a range of infectious disease tests on the system in September 2012. Co-marketing of the Technogenetics/Menarini products onto the Group's IDS-iSYS placements in France has started and we expect this to increase the utility of systems already installed.

Our other OEM partner, Omega Diagnostics Group plc, is making good progress in adapting its allergy products for use on the IDS-iSYS system and is planning to launch the system within the next 12 months.

Drive system penetration

Number of instruments placed



Sales organisation

The Group's major direct sales operations in the USA and Europe (which excludes Spain and Italy) continued to grow during the year with the USA revenues increasing by 19% and our direct European revenues growing by just under 1%.

Revenue from the Group's network of distributors was 2% lower than the previous year at £8.8m (2011: £9.0m) as their manual and automated vitamin D sales came under competitive pressure. Additional support has been allocated to the export operation, and initiatives to improve distributor performance are ongoing. A number of additional distributors for the IDS-iSYS have been identified.

In terms of the emerging economies, revenue in India increased by 13% over the previous year and in China, although lower than the previous year because of delays in re-registration of a number of our products, recovered well in the second half of the year once re-registration was achieved. The Group continues to work on increasing our presence in emerging economies.

The Group is strengthening its sales and marketing organisation. Both sales management and direct sales teams have been expanded in the USA and greater sales effort is being placed on those territories supported by our distributors. A new business unit focused on sales of our research use only products to the pharmaceutical industry has also been created. Our German direct sales and service organisation has been expanded to cover Poland, the Czech Republic, Central European and Balkan states. In addition, the Nordic sales and service team is being integrated into our German operation.

Operational review continued

"The diversification of the IDS-iSYS product menu into new areas such as hypertension and diabetes, we believe, will help solidify the overall value of the IDS-iSYS system"

Operations

With three manufacturing sites for Group products (one each for manual reagents, automated reagents and IDS-iSYS system production) a single location able to supply all products to our customers was needed. During the financial year we established such a site in Germany, serving all European end users.

As a result of the above-mentioned changes in the competitive environment a review of all operating costs was undertaken during the final quarter of the financial year. Whilst maintaining investment in both product development and sales channels, the Group headcount was reduced from 330 full-time equivalents (FTEs) at the end of the first half of the financial year to 315 FTEs at the financial year end. There have been further reductions in the first quarter of the new financial year to bring the current level of FTEs to 302 as of today. In total, operating costs have been reduced by £2.0m on an annualised basis, primarily through headcount restructuring and savings on facility and travel costs. The non-recurring charge for the year ended 31 March 2012 for the realignment of the cost base is £1.3m.

IDS Connect

The selection and implementation of a new Group-wide integrated systems architecture has progressed satisfactorily during the financial year and will become operational in the majority of sites during the new financial year. The solution which is built on a Microsoft SQL platform and based around a leading mid-market ERP system (Infor Syteline) coupled with Microsoft Sharepoint will facilitate a significant advance in the operational efficiency of the Group.

The oneIDS programme continues to be the focus for our cultural integration activities, aimed at achieving a joined-up international organisation which reflects our business values and flexibility to meet our customer needs. Various activities throughout the year have contributed well to this aim, despite the inevitable difficulties associated with the recent restructuring programme.

Health, safety and environment

We continue to take seriously our responsibilities to staff, contractors and community and this year the significant investment in facilities and training has resulted in a satisfactory reduction in our already low levels of key incident statistics.

Summary

In a difficult trading period the Group continued to make progress against its strategic goals.

- Grew aggregate vitamin D revenue despite increased competition.
- Maintained our vitamin D pricing relative to the challenging market conditions.
- Maintained gross margin despite pricing pressure.
- Increased the number of IDS-iSYS system placements.
- Increased the number of tests available on the IDS-iSYS system.

In addition, the diversification of the IDS-iSYS product menu into new areas such as hypertension and diabetes, we believe, will help solidify the overall value of the IDS-iSYS system with customers and provide a system to help differentiate the Group's offering from that of its competitors.

Financial review

The Group's adjusted profit before tax decreased by 9.5% to £14.9m (2011: £16.5m) before charging £5.2m (2011: £nil) with respect to non-recurring items and £2.5m (2011: £nil) in connection with changes in accounting estimates. The background to the non-recurring items and changes in accounting estimates is set out below. The Group's profit before tax on a statutory basis decreased to £7.3m (2011: £16.5m).

Gerard Murray
Finance Director

Revenue

Group revenue increased by 7% to £53.7m (2011: £50.2m) and measured at constant exchange rates the increase was 8%. An increasing component of Group revenue is generated through the placement of IDS-iSYS systems and as a consequence of this the Group has reviewed the interpretation of IFRIC 4 to determine whether a lease component exists within Group customer contracts. This review concluded that the characteristics of these contracts do result in an operating lease component associated with the placement of IDS-iSYS systems and as such the Group has adopted IAS 17 when determining the relevant proportions of automated assay revenues and operating lease rental payments.

The composition of Group revenue between geographic territories and products (including operating lease rentals) is set out below:

Revenue by sales territory

Year ended 31 March	2012 £000	2011 £000	% change
USA	22,283	18,731	19.0
Europe – Direct	22,572	22,427	0.6
Rest of the World – Distribution	8,815	9,006	(2.1)
Group revenue	53,670	50,164	7.0

Revenue by product group

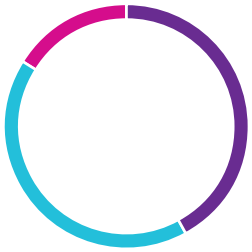
Year ended 31 March	2012 £000	2011 £000	% change
Manual revenue			
Vitamin D	25,840	28,307	(8.7)
Other	9,580	10,261	(6.6)
Total manual	35,420	38,568	(8.2)
Automated revenue (IDS-iSYS)			
Vitamin D	11,209	5,822	92.5
Other	4,901	4,772	2.7
Operating lease rental	2,140	1,002	113.6
Total automated	18,250	11,596	57.4
	53,670	50,164	7.0

The Group's strategy is based on developing a specialised immunoassay menu to be used on its proprietary automated IDS-iSYS testing system. As this menu matures the Group's proportion of revenue being derived from automated assays is expected to increase. During the financial year ended 31 March 2012 automated revenues comprised 34% (2011: 23%). The Board also recognises the pre-eminence of vitamin D assays as a proportion of the Group's revenue. The stated strategy of building a specialised assay menu will ultimately reduce the Group's dependency on vitamin D products. During the financial year ended 31 March 2012, total vitamin D revenue (manual and automated) represented 69.0% (2011: 68.0%) of Group revenue. The increase has arisen as the Group's overall vitamin D revenue increased by 9% compared to Group revenue increase of 7%. Going forward it is expected that the vitamin D proportion of Group revenue will decline as other automated revenues are launched for the IDS-iSYS installed base to utilise.

Revenue evolution

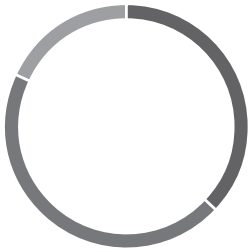
Revenue by location

2012



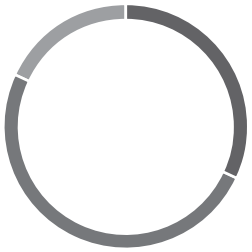
USA 42%
Europe 42%
Rest of the World 16%

2011



USA 37%
Europe 45%
Rest of the World 18%

2010



USA 32%
Europe 50%
Rest of the World 18%

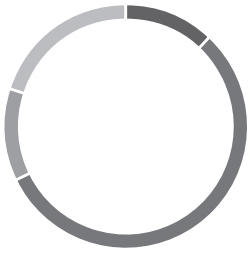
Financial review continued

Revenue evolution
Manual to automated

2012

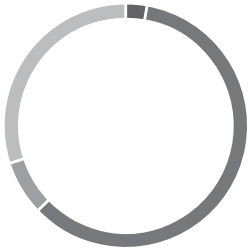
IDS-iSYS Vitamin D **21%**
Manual Vitamin D **48%**
IDS-iSYS other **13%**
Manual other **18%**

2011



IDS-iSYS Vitamin D **12%**
Manual Vitamin D **56%**
IDS-iSYS other **12%**
Manual other **20%**

2010



IDS-iSYS Vitamin D **3%**
Manual Vitamin D **60%**
IDS-iSYS other **7%**
Manual other **30%**

Operating expenses
The Group's total operating expenses comprise:

Year ended 31 March	2012 £000	2011 £000
Non-recurring items	5,177	–
Depreciation and amortisation		
– recurring charges	4,519	3,814
– effect of change in estimate	2,505	–
Other operating expenses	20,378	16,558
Total operating expenses	32,579	20,372

Operating expenses (including intangible amortisation) increased by 60% to £32.6m (2011: £20.4m) of which the largest proportion of this increase relates to exceptional costs of £5.2m and changes in accounting estimates of £2.5m. Adjusting for these items the increase in operating expenses is 22%.

Non-recurring items
The Group has incurred a number of non-recurring items during the year ended 31 March comprising:

Year ended 31 March	2012 £000	2011 £000
Provision against BHH receivable	2,795	–
Retirement of development costs	481	–
Impairment of assay development costs	604	–
Restructuring costs	1,297	–
Total non-recurring items	5,177	–

Provision against BH Holdings SAS ("BHH") receivable
In December 2008, the Group disposed of its Haematology Division as it was considered a non-core business operation. This business was originally acquired in 2007 as part of the Biocode Hycel acquisition. The sale agreement incorporated deferred consideration of €3.2m due from the purchaser, BHH, and guaranteed by its ultimate parent company Escalon Medical Corporation. Following an agreed restructuring of the deferred repayment terms in May 2011, BHH later went into administration. The Board continues to pursue a course of action that it believes will optimise the recoverability of the receivable but feels that given this change in circumstances during the year and the resultant default, it is appropriate to provide for this receivable in full.

Retirement of development costs
The development of the IDS-iSYS system continues each year to meet the technical requirements of the assays that are being developed and the needs of the customer base. Development costs incurred on specific IDS-iSYS projects continue to be capitalised in line with IAS 38. During the current year costs that were previously incurred on earlier projects have been retired where appropriate.

Impairment of assay development costs
The annual review of the assay register to identify any risk of impairment determined that some assays that had commenced the development phase had subsequently shown weakening in demand due to other alternative solutions available to customers. As a consequence, the development costs that had been capitalised in connection with these assets have been impaired until such time as the market conditions give rise to certainty over future revenues from the relevant assays.

Restructuring costs

In response to the changing market conditions that the Group experienced with respect to its major product, vitamin D, the Board instigated an initiative to streamline the organisation and enhance profitability across the business. The purpose of the programme is to more closely align the Group's cost base with current and expected market conditions, whilst continuing to maintain investment in new product development and strengthening the sales and marketing organisation.

The programme has identified approximately £2.0m of annualised cost savings (equivalent to approximately 10% of operating overheads excluding depreciation and amortisation). The implementation of this restructuring gave rise to one-off costs of approximately £1.3m. The full benefit of the annualised savings is expected to be seen during the financial year ending 31 March 2013.

Effect of changes in accounting estimates

The Board has reviewed the amortisation periods that have historically been applied to development costs and other intangibles, principally licence and patent agreements. With respect to the amortisation period applied to internally generated development costs, this has been reduced from 18 years to 10 years on a prospective basis. The effect on the amortisation charge during the year ended 31 March 2012 was to increase this charge by £1.0m.

The amortisation periods for a number of external licences and patents were linked to the expected periods that economic benefits were expected to accrue to the Group from associated products that have been developed by utilising these licences and patents. These periods have been adjusted on a prospective basis to reflect only the period that the Group is entitled to access the intellectual property granted in the licence or the patent. The effect on the amortisation charge for the year ended 31 March 2012 was to increase this charge by £1.1m. The Group has reviewed the components of costs directly related to development spend and have removed some costs capitalised on an ongoing basis resulting in an additional charge of £0.5m in the current year.

Furthermore, the Board has assessed the level of inventory with respect to instrument manufacturing against expected medium-term sales forecasts against a background of a lean supply chain that is available to the Group. The assessment has resulted in the current year inventory provision of £0.8m (2011: £0.5m) which is reflected in the Group's cost of sales.

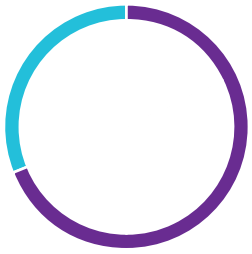
Other operating expenses

The Group's other operating expenses have increased by 23% to £20.4m (2011: £16.6m). The largest proportion of this increase relates to staff costs which grew by £1.9m, reflecting the Group's increase in resources in anticipation of continued growth in revenue at historical rates. Other employment activity, principally travel and premises costs, represented a further £0.8m of the increase. The restructuring exercise undertaken during the last quarter of the financial year has focused on reducing operating costs in those areas that required realigning with the Group's more recent revenue growth.

Revenue evolution

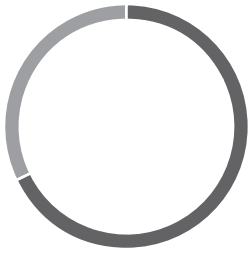
Revenue by product group

2012



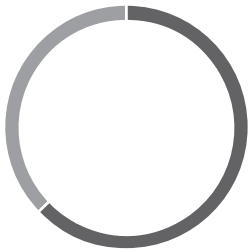
Vitamin D **69%**
Other **31%**

2011



Vitamin D **68%**
Other **32%**

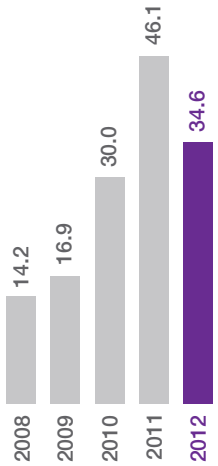
2010



Vitamin D **63%**
Other **37%**

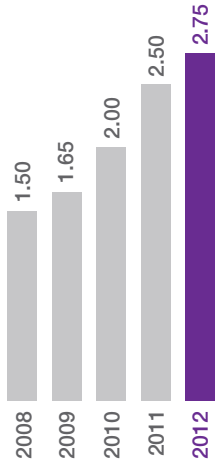
Financial review continued

Adjusted* basic earnings per share
March 2008-2012 pence



* Adjusted for exceptional items and changes in accounting estimates.

Dividend
March 2008-2012 pence



Taxation
The Group's effective tax rate is a blend of corporation tax rates ranging from 25% in Denmark through to 40% in the USA combined with dedicated R&D tax credit schemes in the UK and France. The Group's effective tax rate for the current year is 35% (2011: 22%) with the increase being attributable to the incidence of non-recurring items being incurred in Immunodiagnostic Systems SAS, its French subsidiary undertaking. The cumulative tax loss in this jurisdiction has led the Board to not recognise the full deferred tax asset associated with these losses until there is more certainty with recoverability. If the deferred tax credit associated with these costs had been recognised in full the effective tax rate would have been 21%.

Earnings per share
Adjusted earnings per share is calculated using profit after tax adjusted to exclude the after-tax effect of charges for non-recurring costs and changes in accounting estimates.

Adjusted basic earnings per share is 34.6p (2011: 46.1p).

Basic earnings per share calculated on profit after tax has reduced to 16.7p (2011: 46.1p) principally due to the non-recurring costs and the change in accounting estimates.

Dividend
The Board is proposing a dividend for the year of 2.75p (2011: 2.50p) subject to the approval of shareholders at the Annual General Meeting. The dividend per share will be paid on 28 September 2012 to shareholders on the register at the close of business on 7 September 2012.

Balance sheet
The Group's shareholders' funds at 31 March 2012 were £72.3m (2011: £72.5m). The lack of growth in shareholders' funds reflects a number of non-cash accounting adjustments that have been made during the year ended 31 March 2012 which the Board believe will assist in a better understanding of the Group's financial results going forward. The underlying intellectual property that the Group possesses through patents, know-how and its own testing instrument remains strong and this is reflected in the positive cash flows.

Cash flow
The Group continues to generate strong positive cash flows from its operations with a net increase in cash of £4.7m (2011: £1.1m) over the year after discharging loan repayments of £2.0m (2011: £4.9m). This cash generation has continued since the end of the financial year such that the outstanding bank debt at 31 March 2012 of £4.2m has been repaid in full and at the date of this report the Group has £9.2m in cash.

Prior period adjustments

Walloon Government grants

The Group acquired the whole of the share capital of Immunodiagnostic Systems SA (formerly Biocode Hycel SA) on 31 August 2007. Prior to the acquisition this subsidiary undertaking had received grants from the Walloon Regional Government towards the development of certain automated immunoassays ("the products"). The terms of the agreements provide for future repayment of the grant received in the event that the products are being commercialised.

A review of the agreements has shown that the majority of products for which the grants had been received have since been abandoned. It has, however, come to light that the Walloon Regional Government was notified of the intended commercialisation of a small number of products in the financial year ended 31 March 2010, at which point the grant became repayable in its entirety. As a result of this event the grant must be recognised as a liability in accordance with IAS 20. As the event giving rise to the repayment obligation occurred in the financial year ended 31 March 2010, the recognition of the liability, which had previously been disclosed as a contingent liability, has been treated as a prior period adjustment.

Remuneration bonus payments

The Group operates various performance bonus schemes for Directors and senior management, some of which are contractual in nature and some of which are discretionary. In accordance with IAS 19, only those payments for which the Group has a contractual or constructive obligation at the balance sheet date and which can be reliably measured at the time of issue of the financial statements are recognised as liabilities. A review of those bonus agreements which had previously been treated as discretionary, and therefore recognised in profit or loss in the period in which they were paid, has concluded that in the majority of cases, the terms of the agreements are such as to justify that the bonus should have been accrued. This change has been applied retrospectively by way of a prior period adjustment.

Capital management

The Board's objective is to maintain a balance sheet that is efficient in terms of providing long-term returns to shareholders whilst at the same time safeguards the Group's financial position through variable economic cycles. As at 31 March 2012 the Group had net cash (after deducting borrowings) of £6.9m (2011: net debt £0.1m) and combined with cash generated in the year of £7.0m the Board considers its objective is being achieved.

The Group can vary its capital structure by adjusting the level of dividends paid to shareholders, by issuing new share capital and by arranging new debt facilities.

Gerard Murray
Finance Director

22 June 2012

Principal risks and uncertainties

The operation of a public company involves a number of risks and uncertainties across a full range of commercial, operational and financial areas. The principal risks and uncertainties that have been identified as potentially impacting the Group's performance over the next financial year are set out below, along with mitigation strategies.

Risk	Impact	Mitigation
Economic environment	The international economic environment can have an adverse effect on the Group's performance. In particular, higher unemployment reduces healthcare coverage and therefore testing volumes in insurance-based healthcare systems, while public-based systems are subject to government-led cost reduction initiatives which can affect pricing in the diagnostics sector. The Group's major markets are in the highly indebted USA, and the economically weakened Eurozone, although here sales are focused in Germany and France which have relatively strong economies.	Increasing the proportion of sales to economies outside the highly indebted countries of the USA and the Eurozone. Increased focus on operational excellence to protect margins against government-led price reductions.
Foreign exchange exposures	The Group generates significant revenues in currencies other than its reporting currency (Pounds Sterling). It also has significant cost and asset bases in the Eurozone and the UK. There is therefore a risk if cost and revenue imbalances are magnified by adverse exchange rate movements.	Natural hedging is preferred where possible, by matching costs and revenues and assets and liabilities in their transactional currencies. Where this is not possible or strategically desirable, the Group adopts a hedging policy and uses non-speculative financial instruments to manage expected cash flows.
International distribution network	The Group manages a network of third party distributors to enable access to emerging markets whilst leveraging local business contacts and customer support infrastructures. Many of these distributors are small and medium sized enterprises and therefore are exposed to market pressure on pricing and profitability, and may find it difficult to access adequate levels of finance. The risks to the Group are of counterparty default, and of loss of market access in the event of the distributor ceasing to trade or switching to a rival.	Distributors are managed closely by the Group's export management team. Many distributors are under exclusive or restrictive contracts that are monitored regularly for performance and renewal. Payment terms and credit limits are controlled to obtain a balance between risk and opportunity.
Competitive position	The Group is becoming an increasingly significant competitor in the automated diagnostics market and its products, especially vitamin D, are attracting the competitive attention of major diagnostics corporations. These companies have greater resources and customer leverage which may allow them to deploy commercial tactics which limit the Group's ability to protect and increase its market penetration.	The Group's strategy is to offer innovative and, where possible, unique products to customers alongside high quality versions of more widely available products in order to create differentiation from larger competitors. Investments in marketing, excellent technical and operational service coupled with flexible commercial tactics will also be deployed.

Risk	Impact	Mitigation
R&D effectiveness	Continued development of innovative assays and instrumentation is key to delivering long-term and sustainable shareholder value. Accurately assessing commercial value and technical feasibility, and then executing development effectively are key to achieving the Group's objectives in the longer term.	There will be continued investment in internal skills and systems, and the Group will collaborate with world experts to ensure resulting products are of a high quality and appropriate for the need.
Operational effectiveness	The Group is focused on delivering new product launches and satisfying demand for existing products. It is seeking to enhance quality to meet more stringent and diverse regulatory requirements and increase efficiency and reducing waste to protect margins in the face of price pressure on vitamin D. Not achieving these objectives is a risk to the Group's strategy of building a secure platform for future profitability based on innovation, quality and service.	The Group invests significantly in its operational facilities, people and quality management systems to achieve business growth targets and improved efficiency. An ERP implementation programme has commenced to provide a global platform to manage the Group's activities with homogenous, efficient processes.
Regulatory	Companies operating in the diagnostics sector must meet ever increasing regulatory requirements which require continued investment in people, training, facilities and systems. International expansion requires the Group to manage a wider range of increasingly active national and regional regulators. Failure to do so can lead to delays in penetrating new markets and disruption to existing revenue streams.	The Group recruits expert staff in this area and partners with appropriate advisory firms to ensure compliance with ever-changing requirements. Product registrations are monitored regularly for renewal deadlines.
Management of change	During the last 18 months the Group has changed key members of its senior leadership team (Chairman, CEO, CFO), embarked on the implementation of a global ERP solution, is managing the transition within its business model from manual to automated products, whilst responding to the challenges of new competitive threats in its major product market. If these changes are not managed effectively the Group will not be in a position to achieve its objectives and as a consequence profitability and shareholder returns could be impacted.	An Executive Management team manages the daily operations of the business and meets on a weekly basis. The key performance indicators of the business are clearly understood and are monitored through this team. A number of committees comprising Executive, Non-executive Directors and senior managers have been set up to manage key areas of the business model during a period of so much change.
IT systems	The Group is in the process of implementing a global ERP solution. The effective execution of this programme is a key risk to avoid any disruption to the Group's business model.	Vendor selection and project team composition are targeted at combining internal business knowledge, package expertise and change management skills to ensure an appropriate level of focus and capability. A phased implementation plan with demanding acceptance criteria is in place and the Group will prioritise quality over time in assessing readiness for transfer of business units to the new system.

Board of Directors

Executives

Dr R T Duggan PhD (aged 63), Deputy Chairman & Business Development Director

Roger joined RIA (UK), the forerunner of IDS, in 1981. Within the Group, he has held the positions of Development Scientist, Laboratory Manager, and Scientific Director, becoming Managing Director following a Management Buy-Out in 1996. Following admission to AIM in 2004 and the subsequent acquisitions of Nordic Bioscience Diagnostics and Biocode-Hycel in 2007, he became Chief Executive Officer (CEO) of the Group. In October 2010, as part of his succession plan, Roger became Deputy Chairman and Business Development Director.

Mr G T Murray (aged 49)**,** Finance Director

Gerard has 19 years of public company experience, having held the position of Group Finance Director at both Reg Vardy plc and Northgate plc. He has a BSc in Economics from the University of Leicester, and began his career with Arthur Andersen, where he undertook his accountancy qualifications. In 1991 he was appointed Group Finance Director of Reg Vardy plc, one of the UK's leading quoted motor vehicle retailers, and became Chief Executive in May 2001. In early 2003, he joined Northgate plc, the UK's and Spain's leading provider of commercial vehicle rental solutions, as Group Finance Director. From 2008 to March 2012 Gerard held the role of Group Finance Director of the Vardy Group of Companies, established to pursue a mixture of corporate and charitable purposes.

Dr M L Garrity PhD (aged 51), Technical Director

Martha joined the Group in February 2007, after eleven years in Research and Development at Nichols Institute Diagnostics (NID) as a Senior Scientist, Manager and Director. She was a key member of the team created to convert the established immunoassays of NID into fully automated formats for the Nichols Advantage automated instrument. At NID she contributed to the development and launch of automated specialty assays in the areas of bone, growth, thyroid, and hypertension, and gained expertise in chemiluminescent labels and magnetic particles, which are the specific technologies to be employed by the Group in the automation of its unique range of bone and skeletal biomarkers.

Mr A Rousseau (aged 61), Engineering Director

Alain gained his experience in both the high-tech sensors and automotive industries before turning his skills to the in vitro diagnostics market. He has filed for over 30 patents in these areas over the course of his career. As Head of Instrumentation for the well-known Diagnostica Stago, he created and developed the production of the entire instrumentation product line. Alain joined Biocode Hycel in mid 2003 as CEO, to develop a new innovative and multidisciplinary platform which is now the IDS-iSYS automated system. As part of the Biocode acquisition, Alain joined the Board to drive automation manufacture and system design going forward.

Non-executives

Dr A F Martin (aged 58), Non-executive Chairman

Anthony has more than 25 years' experience in life science and biotechnology businesses both in the UK and USA, in both executive and non-executive roles. He is currently Non-executive Chairman of Sphere Medical Holding plc, Wound Solutions Ltd and Phico Therapeutics Ltd. He is also a Non-executive Director of Abcam plc. Anthony has a Doctorate in Immunology from the University of Manchester Medical School and began his career in 1979 with Procter and Gamble before moving to Amersham International in Marketing and Business Development roles. He has since run a number of biotechnology businesses including British Bio-Technology Products, AZUR Environmental, the Molecular Biology business of Invitrogen Corporation, and Molecular Probes Inc. Previous Non-executive appointments include Prelude Trust plc. and Chairman of NeuTec Pharma plc. Most recently he has served as Chairman of Molecular Insight Pharmaceuticals Inc. and has also served on the boards of Invitrogen Corporation and Agilent Technologies.

Dr E D Blair PhD (aged 53)
Non-executive Director

Following a research career in virology at the MRC National Institute for Medical Research (Mill Hill, London) and the University of California (Irvine CA, US), Eddie spent fifteen years in the pharmaceutical industry and held the positions of Programme Leader in Virology then later Clinical Therapeutic Adviser to the Predictive Medicine Group at GlaxoWellcome, before becoming a director of clinical diagnostics at GlaxoSmithKline plc. He is currently a director of Integrated Medicines Limited.

Dr P O Dahlen (aged 50)
Non-executive Director

Patrik has over twenty years' experience in the diagnostic and life science industry. He became Chief Executive Officer of Neurosearch, a Denmark-based biotech company listed on the Copenhagen stock exchange, in September 2010. Previously Patrik was CEO of Chempaq A/S, a Point of Care diagnostics company where he was from 2009 to 2010. Patrik was CEO of Dako A/S from 2005 to 2009, during which the Company underwent a significant repositioning. Previously he was CEO of BioImage, Senior Vice President of Perkin-Elmer Inc and President of Perkin-Elmer Life Sciences. He is Chairman of Olink Biosciences and Sophion Biosciences, two private biotechs based in Scandinavia.

Dr B Wittek (aged 60)
Non-executive Director

Burkhard holds an MBA from Harvard Business School. After working for Dresdner Bank AG he spent thirteen years with The Boston Consulting Group where he was a senior partner with worldwide responsibility for the consumer goods/retail and healthcare sectors. In 1990 he founded FORUM Family Office which makes long-term investments in German Private Equity and European Small and Midcap situations.

Mr R Sackers (aged 43)
Non-executive Director

Roland joined the Company in June 2011 as Non-executive Director and Chair of the Audit Committee. Roland is Chief Financial Officer and Managing Director of QIAGEN N.V. In this role, Roland spearheads the creation and execution of long-term financial plans which enable the Company to execute its accelerated growth strategy. This roadmap, including numerous M&A transactions, has led to strong revenue streams and significant profit growth under his tenure. Roland earned his Diplom-Kaufmann from the Westfälische Wilhlems-Universität Münster, Germany after studying business administration. He joined QIAGEN in 1999 and has been Chief Financial Officer since 2004. In 2006, He was named as a Managing Director. Prior to joining QIAGEN, he acted as an auditor with Arthur Andersen. He is a board member of the industry association BIO Deutschland.

Directors' report

The Directors submit their report and audited financial statements of the Company and of the Group for the year ended 31 March 2012.

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 Operational review and the Financial review.

Results and dividend

The Group's profit on ordinary activities after tax for the year was £4.7 million. No interim dividend was paid (2011: £nil) and the Directors have recommended a final dividend of 2.75p (2011: 2.50p) per Ordinary share.

Research and development

Research and development projects continue in the areas of instrumentation and assay development. In particular, assay development is focused on biomarkers for bone, cartilage, growth, hypertension, diabetes and vascular calcification.

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 £0.02 Ordinary shares of the Company were as follows:

Director	Position		As at 31 March 2012 No.	As at 31 March 2011 No
Mr D E Evans	Non-executive Chairman	(resigned 8 September 2011)	107,450	157,450
Dr A F Martin	Non-executive Chairman	(appointed 8 September 2011)	–	–
Mr C I Cookson	Chief Executive Officer	(resigned 22 June 2012)	14,038	11,538
Dr R T Duggan	Deputy Chairman and Business Development Director		1,532,587	1,526,187
Mr P Hailes	Finance Director	(resigned 1 April 2012)	547,189	540,689
Dr M L Garrity	Technical Director		–	–
Mr A Wilks	Sales and Marketing Director	(resigned 1 September 2011)	–	–
Mr A Rousseau	Engineering Director		25,584	25,584
Dr E D Blair	Non-executive Director		–	–
Dr P O Dahlen	Non-executive Director		19,032	8,250
Dr B Wittek	Non-executive Director		46,667	–
Mr R Sackers	Non-executive Director	(appointed 1 June 2011)	–	–

All Directors unless indicated served throughout the year.

Mr G T Murray was appointed as Finance Director on 1 April 2012, following Mr P Hailes' resignation on the same date.

The Executive Directors have options granted to them under share option schemes; details are included within Note 38 of the attached financial statements.

Directors' indemnity

As permitted by the Company's Articles of Association, qualifying third-party indemnities for each Director of the Company were in place throughout the year and remained in force at the date of the signing of this report.

Remuneration report

The Remuneration Report set out on pages 32 to 36 will be put to shareholders for approval at the Annual General Meeting.

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 29 May 2012.

	Number of Ordinary shares of 2p each	Percentage of issued share capital
Forum Venture Capital (1)	7,672,731	27.08%
Schroder Investment Managers	3,110,995	10.98%
BlackRock, Inc.	2,964,623	10.46%
Newton Investment Management	1,644,335	5.80%
Dr R T Duggan	1,532,587	5.41%
HSBC Trinkaus & Burkhardt	1,020,088	3.60%
Octopus Investments	877,116	3.10%

(1) Forum Venture Capital's (FVC) shareholding includes shares held by FVC itself, Forum European Smallcaps and personal holdings of Dr B Wittek and family

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 2012 were equivalent to 30 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.

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 instruction 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.

Directors' report
Continued

Environmental policy continued
Health and Safety is managed through local management teams and Health and Safety committees that meet regularly throughout the year. Performance is monitored regularly by the Board. 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
There were no contributions to charitable organisations in the year (2011: £11,222).

Financial instruments
As sales through our subsidiary undertakings continue to positively impact on revenue, 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 revenue 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 39 gives information on foreign currency exposures.

Related party transactions
Transactions occurring with associated undertakings are detailed in Note 31 of the financial statements.

Annual General Meeting
The Company's Annual General Meeting will be held on Friday 14 September 2012 at 12 noon at the offices of Immunodiagnostic Systems Holdings PLC, 10 Didcot Way, Boldon Business Park, Boldon, Tyne and Wear NE35 9PD.

Auditors
Baker Tilly UK Audit LLP have been Company Auditors since the Company listed on AIM in 2004. The Audit Committee has decided the time is appropriate to review the appointment of the Company's Auditor. This process will commence immediately and the appointment of the Group's Auditor will be proposed at the Annual General Meeting. The Board would like to thank Baker Tilly for their support during their tenure.

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

Gerard Murray
Secretary

22 June 2012

Corporate governance report

The UK Corporate Governance 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 UK Corporate Governance 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 UK Corporate Governance Code, produced by the Quoted Companies Alliance. The Company's governance policies already in place match closely the position set out in the UK Corporate Governance Code.

Narrative statement

Directors

As at the Group's year end 31 March 2012, the Board comprised of five Executive Directors, a Non-executive Chairman and four other Non-executive Directors. Details of the current Directors are set out on pages 24 and 25. 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 bi-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 2012

Nine Board meetings were held in the year to 31 March 2012.

Director	Board meetings Attended	Eligible	Audit Committee attended
Mr D E Evans	4	4	1
Dr A F Martin	6	6	–
Mr C I Cookson	9	9	–
Dr R T Duggan	9	9	–
Mr P Hailes	7	9	3
Dr M L Garrity	9	9	–
Mr A Wilks	2	3	–
Mr A Rousseau	9	9	–
Dr E D Blair	5	9	–
Dr B Wittek	8	9	3
Dr P O Dahlen	9	9	2
Mr R Sackers	8	8	2

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, Dr A F Martin, has a number of other non-executive directorships, details of which are shown below. The Chairman is considered by the Board to be independent and is responsible for the running of the Board. The Board also considers Dr E D Blair, Dr P O Dahlen and Mr R Sackers to be independent.

The Executive Directors are Dr R T Duggan, Mr G T Murray, Dr M L Garrity and Mr A Rousseau. The offices of Chairman and Chief Executive are separate.

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.

Corporate governance report
Continued

Chairman's commitments
The Chairman has the following directorships and partnerships:

Abcam PLC
Phico Therapeutics Limited
Sphere Medical Holding PLC
TMA Consultants
Wound Solutions Limited

The Chairman ensures that all Directors are properly briefed to enable them to discharge their duties. In particular, detailed management accounts are prepared and copies sent to all Board members every month. In advance of each Board meeting appropriate documentation on all items to be discussed is circulated.

Before appointment Non-executive Directors are required to assure the Board that they can give the time commitment necessary to properly fulfil their duties both in terms of availability to attend meetings and discuss matters on the telephone.

Board committees
The Board has established the following committees under specific terms of reference:

Audit Committee
The Audit Committee comprises the Chairman, Mr R Sackers, a qualified accountant, Dr P O Dahlen and Dr B Wittek. The Board feels that this committee is independent as all members are 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 will normally meet at least three times 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 twice 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 5 to the financial statements.

The Board is satisfied that the external Auditors remain independent in the discharge of their audit responsibilities.

The Remuneration Committee
The Remuneration Committee comprises Mr E D Blair (Chairman), Dr P O Dahlen and Dr B 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 Directors' remuneration are contained within the Directors' remuneration report and share options under Note 38.

The Nominations Committee
The Nominations Committee comprises Dr A F Martin (Chairman), Dr P O Dahlen and Mr E D 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. Throughout the year the Board maintains a regular dialogue with institutional investors and brokers' analysts, providing them with such information on the Company's progress as is permitted within the guidelines of the Listing Rules. In particular, twice a year, at the time of announcing the Group's half and full year results, they are invited to briefings given by the Chief Executive and Group Finance Director.

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 or prior period. The Board has asked the Audit Committee to review the adequacy of the internal control environment going forward.

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 in the past the controls in place have been appropriate for the size and complexity of the Group's activities. Going forward however, consideration will be made as regards to an internal audit function as part of an overall risk management review.

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 UK Corporate Governance Code.

Throughout the year ended 31 March 2012, the Group has substantially complied with the provisions set out in Section 1 of the UK Corporate Governance Code.

By order of the Board

Gerard Murray
Secretary

22 June 2012

Directors' remuneration report

Introduction and compliance

Although not required by the AIM listing rules or the Companies Act 2006, the Remuneration Committee on behalf of the Board has chosen to prepare this report to explain how the Company has applied the principles of the UK Corporate Governance 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 Friday 14 September 2012.

Remuneration Committee

The Remuneration Committee has been established by the Board which has responsibility for executive remuneration. The Committee is chaired by Dr E D Blair, an independent Non-executive Director and membership of the Committee is detailed below.

Dr E D Blair (Chairman) since 16 July 2008
Dr P O Dahlen since 11 December 2009
Dr B Wittek since 1 April 2010

The ability of the Group 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 guides the design and direction of specific compensation programmes, which inevitably involve broad-based considerations relative 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 grants, as appropriate, the vesting of share-based awards. The remuneration of Non-executive Directors is determined by the Board as a whole.

Non-executive Directors' remuneration

The Board'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. An additional premium is paid where Non-executive Directors take on additional responsibilities such as chairmanship of committees, as noted in the Directors' Remuneration section on page 36.

The Company has entered into a Service Agreement or Letter of Appointment with each of its Non-executive Directors. Each appointment is for a three year fixed term and includes a provision that either party may terminate the appointment at any time during the fixed term. Only Dr A F Martin qualifies for compensation in the event of termination, this being the equivalent of six months' fees. The appointments may also be terminated at 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 2012 are:

Non-executive Director	Date of letter of appointment	Expiry date
Dr A F Martin	8 September 2011	7 September 2014
Mr D E Evans (resigned 8 September 2011)	1 October 2009	30 September 2012
Dr E D Blair	1 October 2009	30 September 2012
Dr P O Dahlen	11 December 2009	10 December 2012
Dr B Wittek	20 October 2009	19 October 2012
Mr R Sackers	1 June 2011	31 May 2014

The aggregated amount of fees paid to Non-executive Directors during the year ended 31 March 2012 was £186,000 (2011: £135,000).

Executive Directors' remuneration

The Remuneration Committee continues to implement the outcome of an independent review conducted in the financial year ended 31 March 2011, subject to annual review considerations. In 2010 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 initiated 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:

- fixed remuneration, being base salary plus benefits in kind,
- performance-related rewards in the form of the annual bonus and
- longer-term incentives in the form of share options

The goal is to achieve an appropriate balance between these three 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:

Fixed remuneration

- Base salaries are determined upon benchmarking against the median of salaries paid to executive directors in UK-listed companies of a comparable nature, and against 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, company vehicle and a contribution of 10% of gross basic annual salary to a defined-contribution pension scheme.

Performance-related rewards

- 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 comparable listed companies plus evaluation of additional medtech companies.
- As a result of this benchmarking exercise the Remuneration Committee approved a maximum bonus of 50% of base salary for the CEO and the Sales and Marketing Director and at 40% of base salary for the other executive Directors.
- The Remuneration Committee attempts to set stretch targets for Directors aimed at promoting a performance level that can reach the capped maximum payout. c50% of the maximum bonus is linked to corporate performance metrics and the balance 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 2012 there were no bonus payments. The Remuneration Committee believes that this is a reasonable situation given the financial performance of the Group.
- The Bonus Scheme does not include long-term goals, since 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 SOP.

Directors' remuneration report
Continued

Long-term incentives
The Group currently operates one long-term incentive plan offering share options based on tiered percentages of salary, the Share Option Plan (SOP). This plan is supervised by the Remuneration Committee and all Executive Directors are eligible to participate, as is any Group employee at the discretion of the Remuneration Committee. There remain some other legacy plans in existence which will discontinue through the passing of time.

The review of compensation policy with respect to share-based awards undertaken in 2010, adopted 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 the Company as the amount of options granted in the years since the IPO already exceeded that threshold. Nevertheless it recommended implementation of these guidelines at the earliest opportunity and a consequently restrained option policy.

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 for the fixed remuneration component. As a result of this calibration the Remuneration Committee recommended that the Company issues new options each year with the face value being linked to the base salary – face value being defined as the number of options multiplied by the strike price (which is equivalent to the share price at the time of issuance, see below). 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 Remuneration policy "standard" levels are taken as a basis for calculating the issuance of options.

The Remuneration Committee also reviewed the performance hurdles attached to the options. Historically, and for options issued prior to the 2010 review which are currently un-exercised, they had been set at Earnings Per Share (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 has recommended that the performance hurdle be defined as reaching or exceeding the EPS projections according to broker consensus in each of the three years following the issuance of options. All options issued subsequent to the 2010 review adhere to these revised performance criteria.

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 focus on short-term strategy and performance. As the options are the key incentive for the executives to think longer-term the Remuneration Committee believes such an incentive, based on short-term share price, 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)

Awards may not be granted under the SOP more than 10 years after shareholder approval of the Plan was obtained. The SOP comprises two 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 and options to non-UK tax residents.

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 38 to the Financial Statements.

Approved and unapproved awards may be granted 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 38 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 2012.

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 are shown below:

	2012		2011	
Director	Ordinary shares	Share options	Ordinary shares	Share options
Dr A F Martin	–	–	–	–
Mr D E Evans	107,450	–	157,450	–
Mr C I Cookson	14,038	420,000	11,538	420,000
Dr R T Duggan	1,532,587	66,383	1,526,187	66,383
Mr P Hailes	547,189	66,383	540,689	66,383
Mr A Wilks	–	66,554	–	66,554
Dr M L Garrity	–	220,000	–	220,000
Mr A Rousseau	25,584	200,000	25,584	200,000
Dr E D Blair	–	–	–	–
Dr P O Dahlen	19,032	–	8,250	–
Dr B Wittek	46,667	–	–	–
Mr R Sackers	–	–	–	–

Directors' remuneration report
Continued

Directors' remuneration
The remuneration in respect of qualifying services of each person who served as a Director during the financial year ended 31 March 2012 is shown below. No Director took part in discussions or decisions relating to his or her own remuneration.

	2012 Remuneration				2011 (Restated)	Pension	
	Salary £000	Bonus £000	Benefits £000	Total £000	Total £000	2012 £000	2011 £000
Executive Directors (Salary)							
Mr C I Cookson	191	–	15	206	223	19	15
Dr R T Duggan	128	–	21	149	194	13	14
Mr P Hailes	143	–	23	166	185	14	12
Mr A Wilks (1)	85	–	3	88	175	–	–
M L Garrity	143	–	17	160	178	14	12
A Rousseau	180	–	6	186	252	–	–
Sub-total	870	–	85	955	1,207	60	53
Non-executive Directors (Fees)							
Dr A F Martin	43	–	–	43	–	–	–
Mr D E Evans	20	–	–	20	45	–	–
Dr E D Blair	30	–	–	30	30	–	–
Dr B Wittek	30	–	–	30	30	–	–
Dr P O Dahlen	30	–	–	30	30	–	–
Mr R Sackers (2)	33	–	–	33	–	–	–
Sub-total	186	–	–	186	135	–	–
Total	1,056	–	85	1,141	1,342	60	53

Notes:

(1) Mr A Wilks also received £47,265 as compensation for loss of office
(2) Mr R Sackers' fees include £8,333 (£10,000 per annum) for his chairmanship of the Audit Committee

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 2012 are set out in the table below:

Director	At 01.04.11	Granted in year	Number exercised in year	Lapsed in year	At 31.03.12	Exercise Price	Grant date	Earliest exercise date	Expiry date
Mr 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
Dr R T Duggan	66,383	–	–	–	66,383	236.5p	23.06.09	22.06.12	22.06.19
Mr P Hailes	66,383	–	–	–	66,383	236.5p	23.06.09	22.06.12	22.06.19
Mr A Wilks	66,554	–	–	–	66,554	236.5p	23.06.09	22.06.12	22.06.19
Dr 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
Mr 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

Dr E D Blair
Chair, Remuneration Committee

22 June 2012

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 IFRSs 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 to the members of Immunodiagnostic Systems Holdings PLC

We have audited the Group and parent company financial statements on pages 39 to 91. 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 37, 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 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 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs 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.

Alan Aitchison (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

22 June 2012

Consolidated income statement

for the year ended 31 March 2012

	Notes	2012 £000	2012 £000	2011 (Restated) £000
Revenue	3		53,670	50,164
Cost of sales			(13,574)	(12,714)
Gross profit			40,096	37,450
Distribution costs			(8,400)	(7,051)
Administrative expenses				
Non-recurring items				
Impairment of other receivable		(2,795)		
Restructuring costs		(1,297)		
Retirement of development costs		(481)		
Impairment of development costs		(604)		
Recurring items				
Change in accounting estimates		(2,505)		
Other administrative expenses		(16,497)		
			(24,179)	(13,321)
Profit from operations	5		7,517	17,078
Finance income	8		241	220
			7,758	17,298
Finance costs	9		(508)	(796)
Profit before tax			7,250	16,502
Income tax expense	10		(2,512)	(3,618)
Profit for the year attributable to owners of the parent			4,738	12,884
Earnings per share				
Basic	12		16.7p	46.1p
Diluted	12		16.2p	44.3p
Adjusted earnings per share – basic	12		34.6p	46.1p
Adjusted earnings per share – diluted	12		33.5p	44.3p

Consolidated statement of comprehensive income

for the year ended 31 March 2012

	2012 £000	2011 (Restated) £000
Profit for the year	**4,738**	**12,884**
Currency translation differences	**(2,842)**	**(829)**
Other comprehensive income, before tax	**(2,842)**	**(829)**
Income tax relating to items credited to equity	**(54)**	**86**
Other comprehensive income, net of tax	**(2,896)**	**(743)**
Total comprehensive income for the year attributable to owners of the parent	**1,842**	**12,141**

Consolidated balance sheet

Company Registration No. 05146193

31 March 2012

	Notes	2012 £000	2011 (Restated) £000	2010 (Restated) £000
Assets				
Non-current assets				
Property, plant and equipment	14	9,542	8,275	5,198
Goodwill	15	16,809	17,693	17,680
Other intangible assets	16	36,826	40,268	38,051
Investments	18	4	4	4
Deferred tax assets	27	1,829	7,448	–
Other non-current assets	19	234	237	213
		65,244	73,925	61,146
Current assets				
Inventories	20	7,462	8,453	6,427
Trade and other receivables	21	7,706	11,679	10,806
Income tax assets		1,190	1,286	576
Cash and cash equivalents	21	11,031	6,364	5,276
		27,389	27,782	23,085
Total assets		92,633	101,707	84,231
Liabilities				
Current liabilities				
Short-term portion of long-term borrowings	22	4,162	2,113	2,681
Trade and other payables	25	7,994	8,531	6,925
Income tax liabilities		792	2,108	914
Deferred income	29	95	121	153
		13,043	12,873	10,673
Net current assets		14,346	14,909	12,412
Non-current liabilities				
Long-term borrowings	22	–	4,312	8,643
Repayable grants		1,314	1,403	1,384
Provisions	28	566	1,160	1,901
Deferred tax liabilities	27	5,365	9,459	2,051
		7,245	16,334	13,979
Total liabilities		20,288	29,207	24,652
Net assets		72,345	72,500	59,579
Total equity				
Called up share capital	32	567	559	557
Share premium account	33	30,041	29,353	29,281
Other reserves	34	6,970	12,066	11,780
Retained earnings	35	34,767	30,522	17,961
Equity attributable to owners of the parent		72,345	72,500	59,579

The financial statements on pages 39 to 81 were approved by the Board of Directors and authorised for issue on 22 June 2012 and are signed on its behalf by:

Dr A F Martin
Non-executive Chairman

Mr G T Murray
Finance Director

Consolidated statement of cash flows

for the year ended 31 March 2012

	Notes	2012 £000	2011 (Restated) £000
Operating activities			
Cash generated from operations	36	18,596	19,383
Income taxes paid		(4,320)	(2,214)
Interest paid		(508)	(711)
Net cash from operating activities		13,768	16,458
Investing activities			
Asset acquisition		(593)	(1,907)
Purchases of other intangible assets		(2,485)	(3,736)
Purchases of property, plant and equipment		(3,753)	(4,445)
Interest received		241	218
Net cash used by investing activities		(6,590)	(9,870)
Financing activities			
Proceeds from issue of shares for cash		696	74
Grants received		1	–
Repayments of borrowings		(2,027)	(4,912)
Repayments of hire purchase obligations		(26)	(56)
Dividends paid		(708)	(559)
Net cash used by financing activities		(2,064)	(5,453)
Effect of exchange rate differences		(447)	(47)
Net increase in cash and cash equivalents		4,667	1,088
Cash and cash equivalents at beginning of year		6,364	5,276
Cash and cash equivalents at end of year		11,031	6,364

Consolidated statement of changes in equity

for the year ended 31 March 2012

	Called up share capital £000	Share premium account £000	Merger reserve £000	Share-based payments reserve £000
At 1 April 2010 as previously reported	557	29,281	583	2,137
Effect of prior period adjustments	–	–	–	–
As restated	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/1 April 2011	559	29,353	583	3,166
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	–	–	–	(2,199)
Tax benefit on exercise of share options	–	–	–	–
Share-based payments	–	–	–	214
Transfer on exercise of share options	–	–	–	(215)
Dividends paid	–	–	–	–
Shares issued in the period	8	688	–	–
At 31 March 2012	567	30,041	583	966

Consolidated statement of changes in equity continued

for the year ended 31 March 2012

	Currency translation reserve (Restated) £000	Retained earnings (Restated) £000	Total (Restated) £000
At 1 April 2010 as previously reported	9,060	19,393	61,011
Effect of prior period adjustments	–	(1,432)	(1,432)
As restated	9,060	17,961	59,579
Profit for the year	–	12,884	12,884
Other comprehensive income			
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(829)	–	(829)
Tax effect of treatment of foreign currency translation differences	86	–	86
Total comprehensive income	(743)	12,884	12,141
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/1 April 2011	8,317	30,522	72,500
Profit for the year		4,738	4,738
Other comprehensive income			
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(2,842)	–	(2,842)
Tax effect of treatment of foreign currency translation differences	(54)	–	(54)
Total comprehensive income	(2,896)	4,738	1,842
Transactions with owners			
Deferred tax recognised on share-based payments	–	–	(2,199)
Tax benefit on exercise of share options	–	–	–
Share-based payments	–	–	214
Transfer on exercise of share options	–	215	–
Dividends paid	–	(708)	(708)
Shares issued in the period	–	–	696
At 31 March 2012	5,421	34,767	72,345

Notes to the consolidated financial statements

for the year ended 31 March 2012

1 Accounting policies

a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union (IFRS) and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are stated at their fair values. The measurement basis and principal accounting policies are unchanged from the previous year and are set out below.

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.

b) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) made up to 31 March each year. Where necessary, adjustments are made to the financial statements of the subsidiary undertakings to bring the accounting policies used into line with those used by the Group. Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiary undertakings

Subsidiary undertakings 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 economic benefits from its activities.

Acquisitions

The acquisition method of accounting is used to account for the acquisition of subsidiary undertakings by the Company 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. Costs directly attributable to the acquisition are expensed as incurred. On acquisition, the assets and liabilities of a subsidiary undertaking, including identifiable intangible assets, are measured at their fair value at the date of acquisition.

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.

c) Functional and presentation currencies

The consolidated financial statements are presented in Sterling which is also the functional currency of the Company.

d) Foreign currencies

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency (e.g. property, plant and equipment purchased in a foreign currency) are translated

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

1 Accounting policies continued

d) Foreign currencies continued

using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are recognised in profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are also recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at the exchange rates prevailing at the reporting date. Income and expense items are translated at monthly average exchange rates unless exchange rates have fluctuated significantly during any month, in which case the exchange rate at the date of the transaction is used. All exchange differences arising, if any, are transferred to the currency translation reserve and are recognised as income or expenses in the period in which the operation is disposed of or partially disposed of, or when control is lost.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates prevailing at the reporting date.

e) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for goods and services provided or performed in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable.

Sales of goods are recognised when goods are delivered and title has passed. Delivery occurs when the products have arrived at the specified location and the risks and rewards of ownership have been transferred to the customer. Where an operating lease is implicit in a contract for sale of goods, that portion of the revenue which relates to the lease is recognised on a straight-line basis over the life of the implied lease. Where the application of this policy would result in anticipation of revenue, no revenue is recognised in excess of the amount invoiced, unless there is a contractual right to receive the full amount.

f) Operating segments

The Group applies IFRS 8 "Operating Segments". 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 USA and Europe (excluding Spain, Italy and Portugal) as its direct sales operations and the Rest of the World as its distributor sales operations.

g) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (discount on acquisition) is recognised directly in profit or loss.

Goodwill is recognised as an asset and reviewed for impairment at least annually. It is allocated to cash-generating units which represent product sub-groups within the single operating segment. Impairment losses are recognised immediately in profit or loss, and are not subsequently reversed.

On disposal of a subsidiary undertaking, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

h) Other intangible assets

Internally generated intangible assets

Internally generated intangible assets have arisen from the Group's development of the IDS-iSYS automated platform, consisting of the instrument itself and reagents, and a new enterprise resource planning (ERP) system.

1 Accounting policies continued

h) Other intangible assets continued

Expenditure on research activities, or the research (feasibility) phase of a project, is recognised in profit or loss as incurred.

Expenditure arising from development activities, or the development (post-feasibility) phase of a project, is recognised as an asset only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the Group has the intention to complete the asset and the ability and intention to use or sell it;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, development expenditure is recognised in profit or loss in the period in which it is incurred. This is the case with development expenditure on research use only products as there is uncertainty as to the magnitude of future revenues being sufficient to cover the development costs.

Internally generated intangible assets are amortised, once the product is available for use, on a straight-line basis over their useful lives. Initial development expenditure incurred on the automation of assay products for the IDS-iSYS system is 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. As from the current financial year, all development costs related to the IDS-iSYS are being amortised over 10 years. This change in accounting estimate has increased the amortisation charge for the year by £980,000, and will have a similar effect on the charge for the coming years. Development costs incurred on the ERP system will be amortised over five years from the time the system goes live.

Purchased intangible assets – patents and licences

Purchased intangible assets acquired separately are measured initially at cost and amortised on a straight-line basis over the economic life embedded within the patent registration or licence agreement.

Intangibles arising on a business combination – patents and product technology

Patents and 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 measured initially at fair value and subsequently amortised on a straight-line basis over their estimated useful lives (9-20 years).

Intangible assets which have been assigned a finite life are amortised on a straight-line basis over the assets' useful life 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 2012 the annual re-assessment of useful lives resulted in an extra amortisation charge for the year of £1,070,000 (2011: £38,000).

i) Property, plant and equipment

Land and buildings acquired as part of a business combination are initially measured at their fair value at the date of acquisition and subsequently depreciated over their remaining useful lives. Other items of property, plant and equipment are shown at cost, net of depreciation and any provision for impairment.

Subsequent costs, including replacement parts, upgrades and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replaced parts are derecognised. All other costs of repairs and maintenance are charged to profit or loss as incurred.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

1 Accounting policies continued

i) Property, plant and equipment continued

Depreciation is charged on all property, plant and equipment, with the exception of freehold land, at varying rates calculated to write off the cost or fair value of assets by equal annual instalments over their estimated useful lives. The principal rates employed are:

Freehold buildings	–	over 20 years
Leasehold property	–	over the life of the lease
IDS-iSYS instruments	–	over 7 years
Fixtures, fittings and equipment	–	over 3-10 years
Motor vehicles	–	over 4 years

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 profit or loss. The gain or loss arising from the sale is included in administrative expenses in the income statement.

j) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

k) 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.

l) Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost comprises direct material costs and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. For inventories that are ordinarily interchangeable, cost is calculated using the weighted average method. Net realisable value is based on estimated selling price less all estimated completion and selling costs to be incurred.

1 Accounting policies continued

l) Inventories continued

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.

m) Retirement benefit costs

The Company and its trading subsidiary undertakings operate defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the Group. The annual contributions payable are charged as an expense as they fall due. Payments to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. The Group does not have any obligations under defined benefit plans. Provision is made for statutory one-off payments to retiring employees of a subsidiary undertaking based on the present value of the expected liabilities, calculated on an actuarial basis.

n) Financial instruments

Financial assets and financial liabilities are recognised when the Group has become a party to the contractual provisions of the instrument.

Financial assets

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of these receivables. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss.

Cash and cash equivalents

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

Investments

Investments in subsidiary undertakings and associates are recorded at cost in the balance sheet. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

Other investments, which are not classified as trading investments, are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment.

Financial liabilities and equity

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

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including initial transaction costs, and recognised in profit or loss over the term of the instrument using an effective rate of interest.

Trade payables

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

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

1 Accounting policies continued

n) Financial instruments continued

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

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.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to foreign currency and interest rate risk. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge those exposures. 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.

Cash flow hedges

Hedges of exposures to variable cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss are accounted for as cash flow hedges when the hedging criteria have been achieved. The Group uses cash flow hedges to account for the hedge of foreign currency transactions. The effective portion of the change in the fair value is recognised in other comprehensive income whilst the gain or loss on the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item affects profit or loss.

Hedge of a net investment in foreign operations

The Group has designated a loan taken out to finance the acquisition of Nordic Bioscience Diagnostics A/S in 2007 as a hedging instrument to hedge the exposure to foreign currency risk inherent in the investment. The hedge is accounted for similarly to a cash flow hedge.

Hedge accounting is discontinued when the hedging instrument expires, is terminated, is exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in other comprehensive income until the hedged item affects profit or loss.

o) Government grants

Government grants in respect of capital expenditure are treated as deferred income and are released to profit or loss over the estimated useful life of the assets to which they relate. Revenue grants are recognised over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Government grants which may become repayable contingent on the occurrence of a future event are recognised as a liability at the time they become repayable, any surplus of the liability recognised over the unamortised deferred income in respect of the grant being recognised immediately in profit or loss.

p) 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.

1 Accounting policies continued

q) 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 in profit or loss.

All equity-settled share-based payments are ultimately recognised as an expense 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.

r) Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax is the tax currently payable based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets, including those arising from tax losses available for relief against profits of future periods, 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. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities.

s) Critical accounting estimates and areas of judgement in applying the Group's accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

1 Accounting policies continued

s) Critical accounting estimates and areas of judgement in applying the Group's accounting policies continued

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 instrument 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.

t) 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 6.4%, 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.

u) 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 9 Financial Instruments (effective for accounting periods commencing on or after 1 January 2013)
IFRS 10 Consolidated Financial Statements (effective for accounting periods commencing on or after 1 January 2013)
IFRS 11 Joint Arrangements (effective for accounting periods commencing on or after 1 January 2013)
IFRS 12 Disclosures of Interests in Other Entities (effective for accounting periods commencing on or after 1 January 2013)
IFRS 13 Fair Value Measurement (effective for accounting periods commencing on or after 1 January 2013)
IAS 27 Separate Financial Statements (effective for accounting periods commencing on or after 1 January 2013)
IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods commencing on or after 1 January 2013)
Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (effective for accounting periods commencing on or after 1 July 2011)

2 Prior period adjustment

Walloon Regional Government grants

The Group acquired the whole of the share capital of Immunodiagnostic Systems SA (formerly Biocode Hycel SA) on 31 August 2007. Prior to the acquisition this subsidiary undertaking had received grants from the Walloon Regional Government towards the development of certain automated immunoassays ("the products"). The terms of the agreements provide for future repayment of the grant received in the event that the products which are being developed and for which the grants were received enter commercial production.

The amount and timing of any repayment is dependent on the future revenues generated from product sales, and represents a percentage of such revenue subject to an annual minimum payment that commences at the moment the products enter commercial production. In accordance with IAS 37, this was previously disclosed as a contingent liability.

A review of the agreements has shown that the majority of products for which the grants had been received have since been abandoned, and there are ongoing technical discussions as to whether the products which did enter commercial production are the same as those for which the grants were received. Negotiations have commenced with the Walloon Regional Government concerning the technical issues over the product development. It has, however, come to light that the Walloon Regional Government was notified of the intended commercialisation of these products in the financial year ended 31 March 2010, at which point the grant became repayable in its entirety and, as a result of this event, must be recognised as a liability in accordance with IAS 20. The amount recognised as a liability is the present value of the minimum repayments, which are the amounts the Directors expect to be paid subject to the outcome of the aforementioned negotiations.

As the event giving rise to the repayment obligation occurred in the financial year ended 31 March 2010, the recognition of the liability has been treated as a prior period adjustment.

Bonus payments

The Group operates various bonus schemes, some of which are contractual in nature and some of which are discretionary. In accordance with IAS 19, only those payments for which the Group has a contractual or constructive obligation at the balance sheet date and which can be reliably measured at the time of issue of the financial statements are recognised as liabilities. A review of those bonus agreements which had previously been treated as discretionary, and therefore recognised in profit or loss in the period in which they were paid, has concluded that in the majority of cases, the terms of the agreements are such that the bonus should have been accrued. This change has been applied retrospectively by way of a prior period adjustment.

The effects of the prior period adjustments on retained earnings are as detailed below. The income statement for the year ended 31 March 2011, as well as the balance sheets as at 31 March 2010 and 31 March 2011 have been restated accordingly.

2012	Grants £000	Bonus £000	Total £000
Recognition of liability	(1,453)	(768)	(2,221)
Tax effect	494	200	694
Effect of foreign exchange differences	(12)	–	(12)
Adjustment to opening reserves	(971)	(568)	(1,539)
Opening reserves as previously reported			32,061
Opening reserves as restated			30,522

2011	Grants £000	Bonus £000	Total £000
Recognition of liability	(1,404)	(702)	(2,106)
Tax effect	477	197	674
Effect of foreign exchange differences	–	–	–
Adjustment to opening reserves	(927)	(505)	(1,432)
Opening reserves as previously reported			19,393
Opening reserves as restated			17,961

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

2 Prior period adjustment continued

The effect on individual line items in the financial statements is as follows:

	As previously reported £000	Grants £000	Bonus £000	As restated £000
Balance sheet 2010				
Current liabilities				
Trade and other payables	6,203	20	702	6,925
Non-current liabilities				
Repayable grants	–	1,384	–	1,384
Deferred tax liabilities	2,725	(477)	(197)	2,051
Balance sheet 2011				
Non-current assets				
Deferred tax assets	6,754	494	200	7,448
Current liabilities				
Trade and other payables	7,714	50	767	8,531
Non-current liabilities				
Repayable grants	–	1,403	–	1,403
Income statement 2011				
Administrative expenses	13,272	(17)	66	13,321
Finance costs	711	85	–	796
Income tax expense	3,645	(23)	(4)	3,618
Statement of comprehensive income 2011				
Profit for the year	12,991	(45)	(62)	12,884
Currency translation differences	(842)	13	–	(829)
Earnings per share 2011				
Basic	46.5p	(0.2)p	(0.2)p	46.1p
Diluted	44.6p	(0.1)p	(0.2)p	44.3p

3 Revenue

An analysis of the Group's revenue is as follows:

	2012 £000	2011 £000
Sales of goods	49,980	48,696
Equipment rental income	2,140	1,002
Royalty income	1,068	96
After-sales service	482	370
	53,670	50,164
Finance income	241	220
	53,911	50,384

Equipment rental income relates to operating lease contracts implicit in agreements for the placing of IDS-iSYS instruments with customers and the related sale of reagents.

4 Segmental information

For management purposes, the Group is currently organised into three operating regions: direct sales operations in the USA, Europe (excluding Spain, Italy and Portugal) and distributor sales operations in the Rest of the World. These regions are the basis on which the Group reports 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.

Year ended 31 March 2012	USA direct £000	Europe direct £000	ROW distribution £000	Eliminations £000	Consolidated £000
Revenue					
External sales	22,283	22,572	8,815	–	53,670
Inter-segment sales	–	13,372	–	(13,372)	–
Total revenue	22,283	35,944	8,815	(13,372)	53,670
Result					
Segment result	4,162	18,255	3,524	–	25,941
Central administration costs					(18,424)
Profit from operations					7,517
Finance income					241
Finance costs					(508)
Profit before tax					7,250
Income tax expense					(2,512)
Profit after tax					4,738

Year ended 31 March 2011	USA direct (Restated) £000	Europe direct (Restated) £000	ROW distribution (Restated) £000	Eliminations (Restated) £000	Consolidated (Restated) £000
Revenue					
External sales	18,731	22,427	9,006	–	50,164
Inter-segment sales	–	14,277	–	(14,277)	–
Total revenue	18,731	36,704	9,006	(14,277)	50,164
Result					
Segment result	1,405	16,989	3,785	–	22,179
Central administration costs					(5,101)
Profit from operations					17,078
Finance income					220
Finance costs					(796)
Profit before tax					16,502
Income tax expense					(3,618)
Profit after tax					12,884

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

5 Profit from operations

Profit from operations is stated after charging (crediting):

	2012 £000	2011 (Restated) £000
Amortisation of government grants re fixed assets	(22)	(49)
Amortisation of other intangible assets	3,322	2,536
Impairment of other intangible assets	604	–
Loss on disposal of other intangible assets	481	–
Depreciation of owned plant, property and equipment	2,138	1,254
Depreciation of assets held under hire purchase agreements	24	24
Operating lease costs	549	609
Share-based payments	214	369
Other staff costs	16,875	14,152
Cost of inventories recognised as an expense	6,673	8,584
Write downs of inventories recognised as an expense	1,073	108
Net loss on foreign currency translation of trading items	381	164
(Gain) on foreign currency translation of contingent consideration	(38)	(87)
Research and development	1,898	725
Auditor's remuneration (see below)	120	107

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

	2012 £000	2011 (Restated) £000
Staff costs (see Note 6)	17,089	14,521
Material costs	7,746	8,692
Research and development costs	1,898	725
Depreciation of property plant and equipment	2,162	1,278
Amortisation, impairment and retirement of intangible assets	4,407	2,536
Foreign currency translation differences	343	77
Other operating expenses (including non-recurring items)	12,508	5,257
	46,153	33,086

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

	2012 £000	2011 £000
Audit services		
– statutory audit of parent and consolidated accounts	75	78
Other services relating to taxation		
– compliance services	13	5
Work performed by associates of Baker Tilly in respect of consolidation returns or local legislative requirements	32	24
	120	107

6 Particulars of employees

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

	2012 No.	2011 No.
Number of production staff	129	106
Number of distribution staff	93	82
Number of administrative staff	102	88
	324	276

The aggregate payroll costs of the above were:

	2012 £000	2011 (Restated) £000
Wages and salaries	11,585	11,549
Social security costs	3,435	2,428
Other pension costs	558	175
Share-based payments	214	369
Restructuring costs	1,297	–
	17,089	14,521

For the year ended 31 March 2012, of staff costs, £4,283,000 (2011: £3,857,000) has been included in cost of sales, £5,124,000 (2011: £3,832,000) in distribution costs and £7,682,000 (2011: £6,832,000) in administrative expenses.

7 Directors' emoluments

Details of Directors' remuneration are included in the Directors' Remuneration Report.

8 Finance income

	2012 £000	2011 £000
Bank interest receivable	5	3
Interest receivable on disposal of business	202	215
Exchange gain on foreign currency borrowings	34	2
	241	220

9 Finance costs

	2012 £000	2011 (Restated) £000
Interest payable on bank borrowing	364	557
Finance charges	–	5
Other similar charges payable	144	234
	508	796

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

10 Taxation on ordinary activities

a) Analysis of charge in the year

	2012 £000	2011 (Restated) £000
Current tax:		
UK corporation tax based on the results for the year at 26% (2011: 28%)	2,304	3,290
(Over) under provision in prior year	110	(418)
Foreign tax on income	678	146
Total current tax	3,092	3,018
Deferred tax:		
Capital allowances	(815)	167
Other	(32)	222
Tax losses carried forward	223	(41)
Deferred tax on share-based payments charge	44	(78)
Under provision in prior year	–	330
Total deferred tax (Note 27)	(580)	600
Tax on profit on ordinary activities	2,512	3,618

In addition, total current and deferred tax of £2,253,000 (2011: credit of £982,000) has been charged to equity in respect of items credited/charged directly to equity.

b) Factors affecting tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (26%; 2011: 28%). The differences are explained below:

	2012 £000	2011 (Restated) £000
Profit on ordinary activities before taxation	7,250	16,502
Profit on ordinary activities by rate of tax in the UK of 26% (2011: 28%)	1,885	4,621
Expenses not deductible for tax purposes	369	34
Income not taxable for tax purposes	–	(1)
Additional relief for R&D expenditure	(1,371)	(1,285)
Foreign profits taxable at different rates	(326)	984
Losses carried forward not recognised	1,500	289
Losses brought forward utilised	–	(851)
Relief for employee share award	–	(85)
Effect of change in tax rate on deferred tax balances	345	–
Tax in respect of prior periods	110	(88)
Total tax charge at an effective rate of 34.6% (2011: 21.9%)	2,512	3,618

11 Dividends

On 29 September 2011, a dividend of 2.50p (2011: 2.00p) per share was paid to shareholders. In respect of the current year, the Directors propose that a dividend of 2.75p per share will be paid to the shareholders on 28 September 2012. 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 2012 is payable to all shareholders on the Register of Members on 7 September 2012. The total estimated dividend is £779,000.

12 Earnings per Ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to holders of Ordinary shares 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 2012, 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.

	2012 £000	2011 (Restated) £000
Profit on ordinary activities after tax	4,738	12,884
Weighted average number of shares:	No.	No.
For basic earnings per share	28,320,248	27,942,000
Effect of dilutive potential Ordinary shares:		
– Share options	977,696	1,164,000
For diluted earnings per share	29,297,944	29,106,000
Basic earnings per share	16.7p	46.1p
Diluted earnings per share	16.2p	44.3p

The calculation of the adjusted earnings per share has been calculated by adjusting the profit as reported for the after-tax effects of the items disclosed separately on the face of the income statement.

	2012 £000	2011 (Restated) £000
Profit on ordinary activities after tax as reported	4,738	12,884
Non-recurring items	3,523	–
Changes in accounting estimates	1,545	–
Profit on ordinary activities after tax as adjusted	9,806	12,884
Adjusted basic earnings per share	34.6p	46.1p
Adjusted diluted earnings per share	33.5p	44.3p

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

13 Financial instruments recognised in the balance sheet

Year ended 31 March 2012	Other investments £000	Loans and receivables £000	Total £000
Non-current financial assets			
Financial asset investments	4	234	238
Current financial assets			
Trade and other receivables	–	6,899	6,899
Cash and cash equivalents	–	11,031	11,031
	–	17,930	17,930
Total	4	18,164	18,168

	Derivative financial instruments £000	Other financial liabilities £000	Total £000
Current financial liabilities			
Trade and other payables	18	6,412	6,430
Bank loans and overdrafts	–	4,152	4,152
Obligations under hire purchase agreements	–	10	10
	18	10,574	10,592
Non-current financial liabilities			
Bank loans and overdrafts	–	–	–
Repayable grants	–	1,314	1,314
Contingent consideration payable	–	566	566
	–	1,880	1,880
Total	18	12,454	12,472

13 Financial instruments recognised in the balance sheet continued

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	–	–	98
	98	–	17,309	17,407
Total	98	4	17,546	17,648

	Other financial liabilities (Restated) £000
Current financial liabilities	
Trade and other payables	7,665
Bank loans and overdrafts	2,087
Obligations under hire purchase agreements	26
	9,778
Non-current financial liabilities	
Bank loans and overdrafts	4,301
Obligations under hire purchase agreements	11
Repayable grants	1,403
Contingent consideration payable	1,160
	6,875
Total	16,653

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

13 Financial instruments recognised in the balance sheet continued

Year ended 31 March 2010	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	213	217
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	15,489	15,493

	Other financial liabilities (Restated) £000
Current financial liabilities	
Trade and other payables	6,093
Bank loans and overdrafts	2,624
Obligations under hire purchase agreements	57
	8,774
Non-current financial liabilities	
Bank loans and overdrafts	8,606
Obligations under hire purchase agreements	37
Repayable grants	1,384
Contingent consideration payable	1,901
	11,928
Total	20,702

14 Property, plant and equipment

	Property £000	Fixtures, fittings and equipment £000	IDS-iSYS systems £000	Motor vehicles £000	Total £000
Cost					
At 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
Exchange differences	(94)	(204)	(216)	–	(514)
Reclassifications	–	(5,669)	5,669	–	–
Additions	816	920	2,017	–	3,753
Disposals	–	(14)	(66)	(9)	(89)
At 31 March 2012	**2,577**	**4,817**	**7,404**	**13**	**14,811**
Depreciation					
At 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
Exchange differences	(60)	(76)	(60)	–	(196)
On reclassifications	–	(1,018)	1,018	–	–
Charge for the year	482	753	925	2	2,162
On disposals	–	(9)	(65)	(9)	(83)
At 31 March 2012	**1,280**	**2,162**	**1,818**	**9**	**5,269**
Net book value					
At 31 March 2012	**1,297**	**2,655**	**5,586**	**4**	**9,542**
At 31 March 2011	997	7,272	–	6	8,275
At 1 April 2010	1,061	4,129	–	8	5,198

Hire purchase agreements

Included within the net book value of fixtures, fittings and equipment of £2,655,000 (2011: £7,272,000) is £30,000 (2011: £54,000) relating to assets held under hire purchase agreements. The depreciation charged in the year in respect of such assets amounted to £24,000 (2011: £24,000).

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

15 Goodwill

	£000
Cost	
At 1 April 2010	18,647
Exchange differences	(223)
Reassessment of earn-out liability	236
At 31 March 2011	18,660
Exchange differences	(871)
Reassessment of earn-out liability	(13)
At 31 March 2012	**17,776**
Amortisation	
At 1 April 2010	967
Charge for the year	–
At 31 March 2011	967
Charge for the year	–
At 31 March 2012	**967**
Net book value	
At 31 March 2012	**16,809**
At 31 March 2011	17,693
At 1 April 2010	17,680

Goodwill is allocated to cash-generating units (CGUs) 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:

	2012 £000	2011 £000	2010 £000
IDS Nordic products	**14,631**	15,383	15,646
IDS-iSYS products	**2,178**	2,310	2,034
	16,809	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 2013 based on the internal budgets for these CGUs, extrapolated over the next eight-year period using a constant gross margin and applying the estimated growth rates below.

Growth rate (manual products)	1%
Growth rate (automated products)	11%
Gross margin	75%
Discount rate	6.4%

The Directors have used a growth rate per product type, however, they believe that the business will continue to grow above this rate and this remains the case after applying a 6.4% discount on future revenues and profits.

16 Other intangible assets

	Development costs £000	Patents and product technology £000	Intangible assets in the course of construction £000	Total £000
Cost				
At 1 April 2010	17,299	24,306	–	41,605
Exchange differences	(119)	(353)	–	(472)
Additions – externally acquired	–	2,051	–	2,051
Additions – internally generated	3,320	–	–	3,320
Disposals	–	(110)	–	(110)
At 31 March 2011	20,500	25,894	–	46,394
Exchange differences	(691)	(1,135)	–	(1,826)
Additions – externally acquired	–	140	–	140
Additions – internally generated	2,005	–	340	2,345
Disposals	(481)	–	–	(481)
Reclassifications	490	(490)	–	–
At 31 March 2012	**21,823**	**24,409**	**340**	**46,572**
Amortisation				
At 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
Exchange differences	(46)	(260)	–	(306)
Charge for the year	1,307	2,015	–	3,322
Impairment	604	–	–	604
Reclassifications	–	–	–	–
At 31 March 2011	**4,111**	**5,635**	**–**	**9,746**
Net book value				
At 31 March 2012	**17,712**	**18,774**	**340**	**36,826**
At 31 March 2011	18,254	22,014	–	40,268
At 1 April 2010	16,111	21,940	–	38,051

Intangible assets in the course of construction relates to the new Enterprise Resource Planning (ERP) system.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

17 Subsidiary undertakings

Details of the Company's subsidiary undertakings at 31 March 2012 are as follows:

Name of subsidiary undertaking	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
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 the TRAP products

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

17 Subsidiary undertakings continued

The net profit (loss) and assets (liabilities) of the subsidiary undertakings for the year ended 31 March 2012 were as follows:

Name of subsidiary undertaking	Net profit (loss) £000	Net assets (liabilities) £000
Immunodiagnostic Systems Limited	9,979	35,299
Immunodiagnostic Systems Inc	1,166	4,453
Immunodiagnostic Systems Deutschland GmbH	102	482
Suomen Bioanalytiikka Oy (SBA Sciences Ltd)	(15)	875
Immunodiagnostic Systems Nordic A/S	328	10,821
Immunodiagnostic Systems SA	(1,269)	20,051
ImmunoDiagnostic Systems France SAS	(2,929)	6,078
MGP Diagnostics AS	–	(413)

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

Name of subsidiary undertaking	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)

18 Investments

	2012 £000	2011 £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 £5,000, relating to patent and other non-trading expenses, with the deficiency in capital and reserves of Perinatal Diagnostics Limited at £53,000 as at 31 March 2012.

The subsidiary Immunodiagnostic Systems Limited also owns 33% of the issued share capital of Pyrronostics Limited, the 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 2012 was £nil. The deficiency in capital and reserves of Pyrronostics Limited is £10,000 as at 31 March 2012.

The subsidiary Immunodiagnostic Systems Limited also owned a 18.75% shareholding in PalindromX Limited, a company incorporated in England. The principal activity of PalindromX Limited was that of research and development. PalindromX Limited did not trade in the year ended 31 March 2012 and was dissolved on 2 May 2012. The deficiency in capital and reserves of PalindromX Limited is £32,000 as at 31 March 2012.

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

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

19 Other non-current assets

Other loans and receivables

	2012 £000	2011 £000
At 1 April	237	213
Additions	14	54
Repaid	(4)	(27)
Exchange differences	(13)	(3)
At 31 March	234	237

20 Inventories

	2012 £000	2011 £000	2010 £000
Raw materials	4,193	4,915	3,797
Work in progress	1,192	2,209	1,553
Finished goods	2,077	1,329	1,077
	7,462	8,453	6,427

Inventories are stated after charging net provisions of £283,000 (2011: £108,000) for impairment of inventories held by subsidiary undertakings. Of the total charge for the year, £345,000 relates to raw materials whereas provisions of £62,000 were released in respect of finished goods.

21 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:

	2012 £000	2011 £000	2010 £000
Trade receivables	6,539	7,902	6,358
VAT recoverable	105	296	294
Other receivables	3,293	3,181	3,756
Prepayments and accrued income	702	438	512
	10,639	11,817	10,920
Allowance accounts for trade receivables	(138)	(138)	(114)
Allowance accounts for other receivables	(2,795)	–	–
	7,706	11,679	10,806

The average credit period taken on sale of goods is 44 days (2011: 42 days). An allowance has been made for estimated irrecoverable amounts from sale of goods of £138,000 (2011: £138,000).

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.

An allowance of £2,795,000 has been made in respect of an amount receivable in respect of the sale of the haematology business by ImmunoDiagnostic Systems France SAS in the financial year ended 31 March 2010. The acquiring company has liquidity difficulties at present, and therefore the Directors, whilst pursuing receipt of the amount in whole, have decided to provide for the entire amount of capital and accrued interest.

21 Other financial assets continued

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

The movements on the allowance account were as follows:

	2012 £000	2011 £000
Balance at 1 April	138	114
Increase in allowance for trade receivables	26	35
Amounts received previously provided	(26)	(11)
Allowance for trade receivables	138	138
Allowance for other receivable	2,795	–
Balance at 31 March	2,933	138

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

	2012 £000	2011 £000	2010 £000
Up to three months	85	144	683
Over three months	–	–	30
	85	144	713

An analysis of receivables by currency is as follows:

	2012 £000	2011 £000	2010 £000
Sterling	1,583	1,498	1,371
Euros	3,548	7,285	7,478
US Dollars	2,366	2,639	1,758
Danish Kroner	209	257	199
	7,706	11,679	10,806

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

Cash and cash equivalents of £11,031,000 (2011: £6,364,000) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates to their fair value.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

22 Borrowings

2012	Current £000	Non-current £000
Bank loans	4,152	–
Obligations under hire purchase agreements	10	–
	4,162	–

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

23 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 0.25 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.

24 Obligations under hire purchase agreements

Amounts payable under hire purchase agreements:

	2012 £000	2011 £000	2010 £000
Within one year	10	26	57
In the second to fifth year inclusive	–	11	37
	10	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 2012 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 (2011: £nil) are denominated in Sterling and amounts totalling £10,000 (2011: £37,000) 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.

25 Other financial liabilities

Trade and other payables are as follows:

	2012 £000	2011 (Restated) £000	2010 (Restated) £000
Trade payables	2,289	4,524	3,158
Other taxation and social security	1,564	964	832
Repayable grants	150	50	20
Other payables	47	40	56
Accruals	3,944	2,953	2,859
	7,994	8,531	6,925

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2011: 58 days).

An analysis of payables by currency is as follows:

	2012 £000	2011 (Restated) £000	2010 (Restated) £000
Sterling	2,751	1,948	2,773
Euros	4,218	5,706	3,663
US Dollars	886	754	403
Danish Kroner	139	123	86
	7,994	8,531	6,925

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

26 Retirement benefits

The Company and its trading subsidiary undertakings 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 £293,000 (2011: £175,000). In addition, the subsidiary undertaking 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 2012 is £265,000 (2011: £322,000). This was previously disclosed as a contingent liability, and has been recognised in full in these financial statements.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

27 Deferred taxation

	2012 £000	2011 (Restated) £000
The movement in the deferred taxation provision during the year was:		
Provision brought forward	2,011	2,051
Income statement movement arising during the year	(580)	600
	1,431	2,651
Deferred tax recognised on employee share options in excess of charge to the income statement charged directly to equity	2,199	(683)
Effect of exchange rate movements	(94)	43
Provision carried forward	3,536	2,011

The provision is split as follows in the balance sheet:

	2012 £000	2011 (Restated) £000	2010 (Restated) £000
Deferred tax assets	1,829	7,448	–
Deferred tax liabilities	5,365	9,459	2,051
	3,536	2,011	2,051

The elements of deferred taxation are as follows:			
Excess of taxation allowances over depreciation on fixed assets	8,659	9,474	9,249
Other timing differences	(867)	(2,984)	(2,439)
Tax losses carried forward	(4,256)	(4,479)	(4,759)
	3,536	2,011	2,051

All deferred tax balances are expected to reverse after more than one year. Outstanding tax losses for which no deferred tax asset has been recognised amounted to £1,500,000 (2011: £nil). Based on current forecasts, the Directors believe the deferred tax assets recognised for accumulated losses in respect of subsidiary undertakings that made a loss in the financial year ended 31 March 2012 to be recoverable in full.

28 Provisions

	Earn-out liability £000
At 1 April 2010	1,901
Payments made in the year	(1,022)
Reassessment of liability	
Change in assumptions	236
Foreign exchange gain	(87)
Unwinding of discount	132
At 31 March 2011	1,160
Payments made in the year	(593)
Reassessment of liability	
Change in assumptions	(13)
Foreign exchange gain	(38)
Unwinding of discount	50
At 31 March 2012	566

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. The cash outflows are expected to occur annually until 2013.

29 Deferred income

Government grants	2012 £000	2011 £000	2010 £000
Received and receivable:			
At 1 April	922	914	950
Received in the year	1	20	–
Exchange differences	(44)	(12)	(36)
At 31 March	879	922	914
Amortisation:			
At 1 April	801	761	572
Credit to income statement	22	49	209
Exchange differences	(39)	(9)	(20)
At 31 March	784	801	761
Net balance at 31 March	95	121	153

30 Commitments under operating leases

At 31 March 2012, the Group had commitments under non-cancellable operating leases as set out below.

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Amounts payable:				
Within 1 year	309	316	249	238
Within 2 to 5 years	380	255	312	213
	689	571	561	451

31 Related party transactions

Trading transactions

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

	2012 £000	2011 £000
Purchases of goods in year	–	10
Amounts owed by related parties at year end	65	91

As explained in Note 18, 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 the audited part of the Directors' remuneration report. The total employers' national insurance contributions paid on behalf of Directors was £184,000 (2011: £93,000) and the income statement charge in respect of share-based payments to Directors was £148,000 (2011: £224,000). In addition, royalties of £43,000 (2011: £32,000) were paid to a Director, Mr A Rousseau. Amounts totalling £141,000 (2011: £nil) were paid to Arteion SAS, a company of which Mr A Rousseau is a Director, for consultancy services. The contracts for these services were on normal commercial terms. The Group recognised an amount of £565,000 (2011: £465,000) in respect of a licence agreement with Omega Diagnostics Group PLC, a company of which Mr D E Evans is a Non-executive Director.

During the year no Directors exercised share options.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

32 Share capital

The total premium received on the issue of shares during the year was £688,000 (2011: £72,000); no expenses were incurred in relation to the issue of the shares.

	2012 £000	2011 £000	2010 £000
Equity shares			
Authorised:			
75,000,000 (2011: 75,000,000) Ordinary shares of £0.02 each	**1,500**	1,500	1,500
	1,500	1,500	1,500

	2012 £000	2011 £000	2010 £000
Allotted, called up and fully paid:			
Ordinary shares of £0.02 each			
27,970,023 (2011: 27,854,566) in issue at 1 April	**559**	557	528
Issued on the exercise of share options:			
366,892 at 189.5p	**8**	–	–
33,361/1,367,827 at 51p	**–**	1	27
79,422 at 64.5p	**–**	1	–
40,000 at 116.5p	**–**	–	1
2,674 at 212.5p	**–**	–	1
28,336,915 (2011: 27,970,023) in issue at 31 March	**567**	559	557

33 Share premium

	2012 £000	2011 £000	2010 £000
Balance brought forward	**29,353**	29,281	28,500
Premium on shares issued during the year	**688**	72	781
At 31 March	**30,041**	29,353	29,281

34 Other reserves

	2012 £000	2011 (Restated) £000	2010 (Restated) £000
Merger reserve	583	583	583
Share-based payments reserve:			
Balance brought forward	3,166	2,137	518
Charge for the year	214	369	355
Deferred tax recognised in excess of charge to income statement	(2,199)	683	1,549
Transfer to retained earnings on exercise of options	(215)	(23)	(285)
At 31 March	966	3,166	2,137
Currency translation reserve			
Balance brought forward as previously reported	8,305	9,060	11,064
Prior year adjustment (Note 2)	12	–	–
As restated	8,317	9,060	11,064
Movement in the year	(2,896)	(743)	(2,004)
At 31 March	5,421	8,317	9,060
	6,970	12,066	11,780

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 38).

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

35 Retained earnings

	2012 £000	2011 £000	2010 £000
Balance brought forward as previously reported	32,061	19,393	9,526
Prior year adjustment (Note 2)	(1,539)	(1,432)	–
As restated	30,522	17,961	9,526
Profit for the financial year	4,738	12,884	6,643
Transfer from other reserves on exercise of share options	215	23	285
Tax benefit on exercise of share options	–	213	1,943
Dividends paid	(708)	(559)	(436)
At 31 March	34,767	30,522	17,961

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

36 Reconciliation of profit before tax to net cash generated from operations

	2012 £000	2011 (Restated) £000
Profit before tax	7,250	16,502
Adjustments for:		
Depreciation of property, plant and equipment	2,162	1,278
Amortisation, impairment and retirement of intangible assets	4,407	2,536
Loss on disposal of property, plant and equipment	6	36
Share-based payment charge	214	369
Release of deferred grants	(22)	(49)
Finance income	(241)	(220)
Finance costs	508	796
Operating cash flows before movements in working capital	14,284	21,248
Decrease (increase) in inventories	706	(2,126)
Decrease (increase) in receivables	3,763	(855)
Increase (decrease) in payables	(157)	1,116
Cash generated by operations	18,596	19,383

37 Capital commitments

Amounts contracted for but not provided in the financial statements £nil (2011: £nil).

38 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 From	To	Number of shares for which rights are exercisable 2011	2012
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	447,739
	2009	236.5p	22.06.12	22.06.19	607,259	607,259
	2010	872.5p	26.09.13	26.09.20	20,000	20,000
	2011	852.5p	03.02.14	03.02.21	20,000	20,000
	2012	309.5p	30.01.15	30.01.22	–	30,000
EMI Share Scheme	2005	51.0p	22.12.07	22.12.14	33,361	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
Total					1,731,026	1,394,134

The market price of the shares at 31 March 2012 was 305p and the range during the year was 289p to 1,218p.

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.

38 Share-based payments continued

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 01.04.11	Options exercised in year	Options at 31.03.12	Exercise price (pence)	Date from which exercisable	Expiry date
Dr M Garrity	41,407	–	41,407	241.5p	03.09.10	03.09.17
Mr 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

The following share options are held by Directors of the Company:

	Options at 01.04.11	Options granted in year	Options exercised in year	Options at 31.03.12	Exercise price	Date from which exercisable	Expiry date
Dr R Duggan	66,383	–	–	66,383	236.5p	22.06.12	22.06.19
Mr P Hailes	66,383	–	–	66,383	236.5p	22.06.12	22.06.19
Mr A Wilks	66,554	–	–	66,554	236.5p	22.06.12	22.06.19
Dr 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
Mr 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
Mr 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 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% 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 5% 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 continued

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38 Share-based payments continued

Share-based payments

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

	2012		2011	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1 April	1,731,026	223.0p	1,806,483	199.0p
Granted during the year	30,000	309.5p	40,000	862.5p
Forfeited during the year	–	–	–	–
Exercised during the year	366,892	189.5p	115,457	64.0p
Outstanding at 31 March	1,394,134	232.4p	1,731,026	223.0p
Exercisable at 31 March	674,592	191.1p	1,041,484	191.0p

The weighted average share price at the date of exercise of the options was 895.0p (2011: 744.5p)

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:

	2012	2011
Risk free interest rate	4.0%	4.0%
Expected volatility	61.6%	57.6%
Expected option life in years	3 years	3 years
Expected dividend yield	3.0%	3.0%
Weighted average share price	309.5p	862.5p
Weighted average exercise price	309.5p	862.5p
Weighted average fair value of options granted	117.3p	312.5p

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three 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 £35,190 (2011: £125,000).

The options outstanding at 31 March 2012 had an exercise price between 51p and 872.5p (2011: between 51p and 872.5p), and a weighted average remaining contractual life of 6.4 years (2011: 7.4 years).

During 2012, the Group recognised total share-based payment expenses of £214,000 (2011: £369,000) all of which related to equity-settled share-based payment transactions. After deferred tax the charge was £158,000 (2011: £266,000).

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

	£000
Dr R Duggan	18
Mr P Hailes	18
Mr I Cookson	38
Mr A Wilks	18
Dr M Garrity	38
Mr A Rousseau	18
	148

39 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 £10,000 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 £3,496,000 (2011: £2,612,000), Euro cash deposits of £5,770,000 (2011: £1,674,000), US Dollar cash deposits of £1,387,000 (2011: £1,953,000) and Danish Kroner cash deposits of £378,000 (2011: £125,000) which are part of the financing arrangements of the Group.

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

	2012			2011			2010		
Currency	Total £000	Floating £000	Fixed £000	Total £000	Floating £000	Fixed £000	Total £000	Floating £000	Fixed £000
Sterling – Borrowings	–	–	–	–	–	–	29	–	29
Euro – Borrowings	4,162	–	4,162	6,425	–	6,425	11,295	–	11,295
	4,162	–	4,162	6,425	–	6,425	11,324	–	11,324

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 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

39 Financial risk management continued

Foreign currency risk

The Group has subsidiary undertakings, 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 subsidiary undertakings 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.

There were no forward exchange contracts outstanding at the year end.

At the balance sheet date the Group had a loan denominated in Euros of £4,152,000 (2011: £6,060,000) 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 £226,000 (2011: £308,000) has been deferred in equity and will be recognised in the income statement as and when the hedged item 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 2012 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		392	965	1,357
	–	392	965	1,357

The exposures at 31 March 2011 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		1,374	1,920	3,294
	–	1,374	1,920	3,294

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:

	2012 £000	2011 (Restated) £000	2010 (Restated) £000
In one year or less	10,592	9,778	8,774
In more than one year but not more than five years	1,057	5,943	10,921
In more than five years	823	932	1,007
	12,472	16,653	20,702

Borrowing facilities

The Group had no undrawn committed borrowing facilities at 31 March 2012.

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.

40 Contingent liabilities

The Group undertakes research and development activities often in collaboration with third parties who provide their expertise and from time to time their intellectual property in the form of know-how or patents. To facilitate this collaboration, IDS may enter into risk and reward contracts which require contractual payments to be made when certain performance milestones are achieved. These liabilities are not reported in the financial statements of the Group as the Directors consider the fulfilment of any condition that will give rise to these liabilities to be future events.

The relevant contingent milestone payments as at 31 March 2012 are:

- The Group has a potential liability to a third party of €225,000 and future royalty obligations upon launch of its Direct Renin assay on the IDS-iSYS platform. The payments are phased as €125,000 upon first commercial sale and €100,000 upon first commercial sale in the USA or 12 months after the first milestone date, whichever is the sooner. Direct Renin was launched in June 2012 and so these liabilities will be included in future financial statements.
- The Group has entered into a licence and co-operation agreement for the development of four analytes. For each analyte there are milestone payments falling due: €25,000 upon commercial launch, €75,000 upon receipt of 510(k) clearance in the USA, and €150,000 upon achievement of US reimbursement status. There are currently no planned launch dates for these products.
- The Group has a potential liability to the previous owners of SBA for €600,000 (also disclosed in note 17 Subsidiary Undertakings as deferred consideration), of which €300,000 is due upon receipt of 510(k) clearance for TRAP products in the USA, and a further €300,000 upon obtaining US reimbursement status for these same products. There is currently no planned launch date for these products in the USA.

In previous Annual reports the Group has disclosed contingent liabilities for a retirement provision in France (2011: £322,000) and a grant from the Walloon Regional Government (2011: £2.7m). These items are now reported in the financial statements of the Group after a reconsideration of the applicability of IAS 19 for France retirement provisions and a review of project documentation pertaining to the Walloon grant which identified a potential condition being satisfied in 2010. The event giving rise to the conditionality being met is subject to technical interpretation and is under discussion with the Walloon Regional Government, however, the Directors have determined that inclusion in the financial statements as a prior period adjustment is the appropriate accounting treatment at this time.

41 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

for the year ended 31 March 2012

Company Registration No. 05146193

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	2	177	–
Investments	3	49,667	49,643
		49,844	49,643
Current assets			
Debtors	4	17,305	2,845
Cash at bank and in hand		68	–
		17,373	2,845
Creditors			
Amounts falling due within one year	5	34,715	19,705
Net current liabilities		(17,342)	(16,860)
Total assets less current liabilities		32,502	32,783
Provisions for liabilities			
Other provisions	7	566	1,160
		31,936	31,623
Capital and reserves			
Called up share capital	8	567	559
Share premium account	9	30,041	29,353
Other reserves	10	933	934
Profit and loss account	11	395	777
Shareholders' funds	12	31,936	31,623

The financial statements on pages 82 to 91 were approved by the Board of Directors and authorised for issue on 22 June 2012 and are signed on its behalf by:

Dr A F Martin
Non-executive Chairman

Mr G T Murray
Finance Director

Notes to the Company financial statements

for the year ended 31 March 2012

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) Intangible assets

Internally generated intangible assets have arisen from the Group's development of a new enterprise resource planning (ERP) system.

Expenditure on the research (feasibility) phase of a project is expensed as incurred.

Expenditure arising during the post-feasibility phase of a project is recognised as an asset only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the Company has the intention to complete the asset and the ability and intention to use or sell it;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, the expenditure is expensed in the period in which it is incurred.

Internally generated intangible assets are amortised, once the product is available for use, on a straight-line basis over their useful lives. Costs incurred on the ERP system will be amortised over five years from the time the system goes live.

c) Investments

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

d) 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.

e) 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.

Notes to the Company financial statements continued

for the year ended 31 March 2012

1 Accounting policies continued

f) 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.

g) 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 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.

2 Intangible assets

	Licences £000	Assets under construction £000	Total £000
Cost			
At 1 April 2010	–	–	–
Additions	–	–	–
Disposals	–	–	–
At 31 March/1 April 2011	–	–	–
Additions	53	124	177
Disposals	–	–	–
At 31 March 2012	**53**	**124**	**177**
Amortisation			
At 1 April 2010	–	–	–
Charge for the year	–	–	–
On disposals	–	–	–
At 31 March/1 April 2011	–	–	–
Charge for the year	–	–	–
On disposals	–	–	–
At 31 March 2012	**–**	**–**	**–**
Net book value			
At 31 March 2012	**53**	**124**	**177**
At 31 March 2011	–	–	–
At 31 March 2010	–	–	–

3 Investments

	Investment in subsidiary undertakings £000
Cost	
At 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/1 April 2011	49,643
Acquisition of subsidiary undertakings	2
Decrease in contingent consideration	(13)
Share options to subsidiaries' employees	35
At 31 March 2012	**49,667**
Net book value	
At 31 March 2012	**49,667**
At 31 March 2011	49,643
At 31 March 2010	47,736

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 subsidiary undertakings 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.

The Company owns 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.

Notes to the Company financial statements continued

for the year ended 31 March 2012

4 Debtors

	2012 £000	2011 £000
Amounts owed by Group undertakings	16,948	2,621
Corporation tax receivable	41	–
Prepayments and accrued income	105	–
Deferred tax asset (see Note 6)	211	224
	17,305	2,845

The amounts owed by Group undertakings fall due after more than one year; all other amounts fall due within one year.

5 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	205	96
Amounts due to Group undertakings	34,023	19,431
Corporation tax payable	–	63
Accruals and deferred income	487	115
	34,715	19,705

6 Deferred taxation

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

	2012 £000	2011 £000
The movement in deferred tax during the year was:		
Asset brought forward	224	148
Profit and loss account movement arising during the year	(13)	76
Total deferred tax	(13)	76
Asset carried forward	211	224

7 Other provisions

	Earn-out liability £000
At 1 April 2010	1,901
Payments made in the year	(1,022)
Reassessment of liability	
Change in assumptions	236
Foreign exchange gain	(87)
Unwinding of discount	132
At 31 March/1 April 2011	1,160
Payments made in the year	(593)
Reassessment of liability	
Change in assumptions	(13)
Foreign exchange gain	(38)
Unwinding of discount	50
At 31 March 2012	566

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. The cash outflows are expected to occur annually until 2013.

8 Share capital

	2012 £000	2011 £000
Equity shares		
Authorised:		
75,000,000 Ordinary shares of £0.02 each	1,500	1,500
	1,500	1,500

	2012 £000	2011 £000
Allotted, called up and fully paid:		
28,336,915 (2011: 27,970,023) Ordinary shares of £0.02 each	567	559
	567	559

During the year the Company issued a total of 366,982 Ordinary shares of 2p each, all of which were issued at 189.5p on the exercise of share options. The total premium received on the issue of shares during the year was £688,000.

9 Share premium

	2012 £000	2011 £000
Balance brought forward	29,353	29,281
Premium on shares issued during the year	688	72
At 31 March	30,041	29,353

Notes to the Company financial statements continued

for the year ended 31 March 2012

10 Other reserves

	2012 £000	2011 £000
Share options reserve		
Balance brought forward	934	588
Charge for the year	214	369
Transfer for options exercised in the year	(215)	(23)
At 31 March	933	934

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

11 Profit and loss account

	2012 £000	2011 £000
Balance brought forward	777	1,170
Profit for the financial year	111	143
Transfer from share options reserve	215	23
Dividends paid	(708)	(559)
At 31 March	395	777

12 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial period	111	143
Dividends paid	(708)	(559)
Share-based payments charged to equity reserve	214	369
	(383)	(47)
Issue of shares	696	74
Net addition to shareholders' funds	313	27
Opening shareholders' equity funds	31,623	31,596
Closing shareholders' equity funds	31,936	31,623
Total shareholders' funds	31,936	31,623

13 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 From	To	Number of shares for which rights are exercisable 2011	2012
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	447,739
	2009	236.5p	22.06.12	22.06.19	516,096	516,096
	2010	872.5p	26.09.13	26.09.20	20,000	20,000
	2011	852.5p	03.02.14	03.02.21	20,000	20,000
	2012	309.5p	31.01.15	31.01.22	–	30,000
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					1,564,219	1,227,327

The market price of the shares at 31 March 2012 was 305p and the range during the year was 289p to 1,218p.

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.

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 01.04.11	Options exercised in year	Options at 31.03.12	Exercise price (pence)	Date from which exercisable	Expiry date
Dr M Garrity	41,407	–	41,407	241.5p	03.09.10	03.09.17
Mr 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.

Notes to the Company financial statements continued

for the year ended 31 March 2012

13 Share-based payments continued

Unapproved Share Option Scheme

	Options at 01.04.11	Options granted in year	Options exercised in year	Options at 31.03.12	Exercise price	Date from which exercisable	Expiry date
Dr R Duggan	66,383	–	–	66,383	236.5p	22.06.12	22.06.19
Mr P Hailes	66,383	–	–	66,383	236.5p	22.06.12	22.06.19
Mr A Wilks	66,554	–	–	66,554	236.5p	22.06.12	22.06.19
Dr 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
Mr 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
Mr 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% 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 5% 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.

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:

	2012		2011	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1 April	1,564,219	209.0p	1,524,219	209.0p
Granted during the year	30,000	309.5p	40,000	862.5p
Forfeited during the year	–	–	–	–
Exercised during the year	366,892	189.5p	–	–
Outstanding at 31 March	1,227,327	237.0p	1,564,219	209.0p
Exercisable at 31 March	641,231	198.4p	1,008,123	195.0p

13 Share-based payments continued

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:

	2012	2011
Risk free interest rate	4.0%	4.0%
Expected volatility	61.6%	57.6%
Expected option life in years	3 years	3 years
Expected dividend yield	3.0%	3.0%
Weighted average share price	309.5p	862.5p
Weighted average exercise price	309.5p	862.5p
Weighted average fair value of options granted	117.3p	312.5p

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three 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 £92,850 (2011: £125,000).

The options outstanding at 31 March 2012 had an exercise price between 51p and 872.5p (2011: between 51p and 872.5p), and a weighted average remaining contractual life of 6.4 years (2011: 7.4 years).

During 2012, the Company recognised total share-based payment expenses of £179,000 (2011: £333,000) of which £179,000 (2011: £333,000) related to equity-settled share-based payment transactions. After deferred tax the charge was £127,000 (2011: £240,000).

Glossary

Analyte
The substance for which an assay is designed to measure. In the present context this will be in a sample taken from a patient or animal (such as blood) and its measurement will aid the diagnosis or monitoring of a disease or its treatment, or provide information for research studies.

Antibodies
Any of a large variety of immunoglobulins (or fragments thereof) which are part of the immune system and are produced to help fight against infection. Antibodies are made by a type of blood cell called a lymphocyte, and are tailor-made in response to foreign material (antigen) entering the body. Antibodies are highly specific for their particular antigen, and will bind strongly to it. In immunoassays, antibodies are raised against the analyte and used as a receptor to bind the analyte.

Antigen
A protein or part of a protein which provokes an immune response and will bind to the antibodies generated.

Assay
A test to detect and/or quantitate a specific analyte in a sample.

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 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.

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 large amounts of 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.

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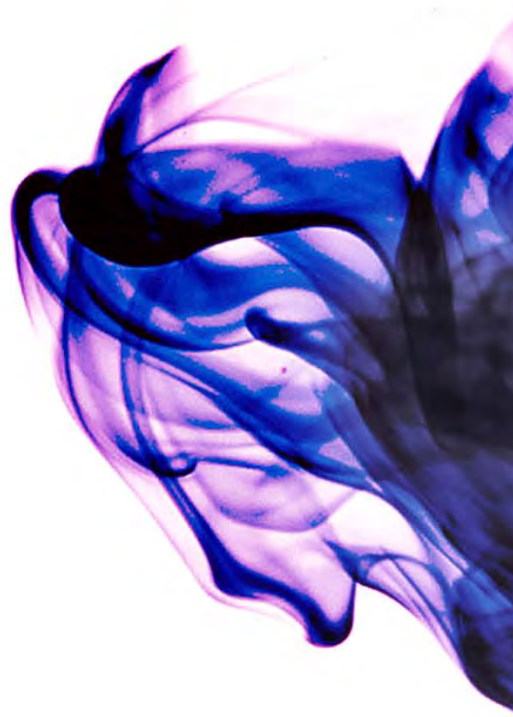

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