immunodiagnosticsystems

Immunodiagnostic Systems Holdings PLC

Annual report & accounts 2013

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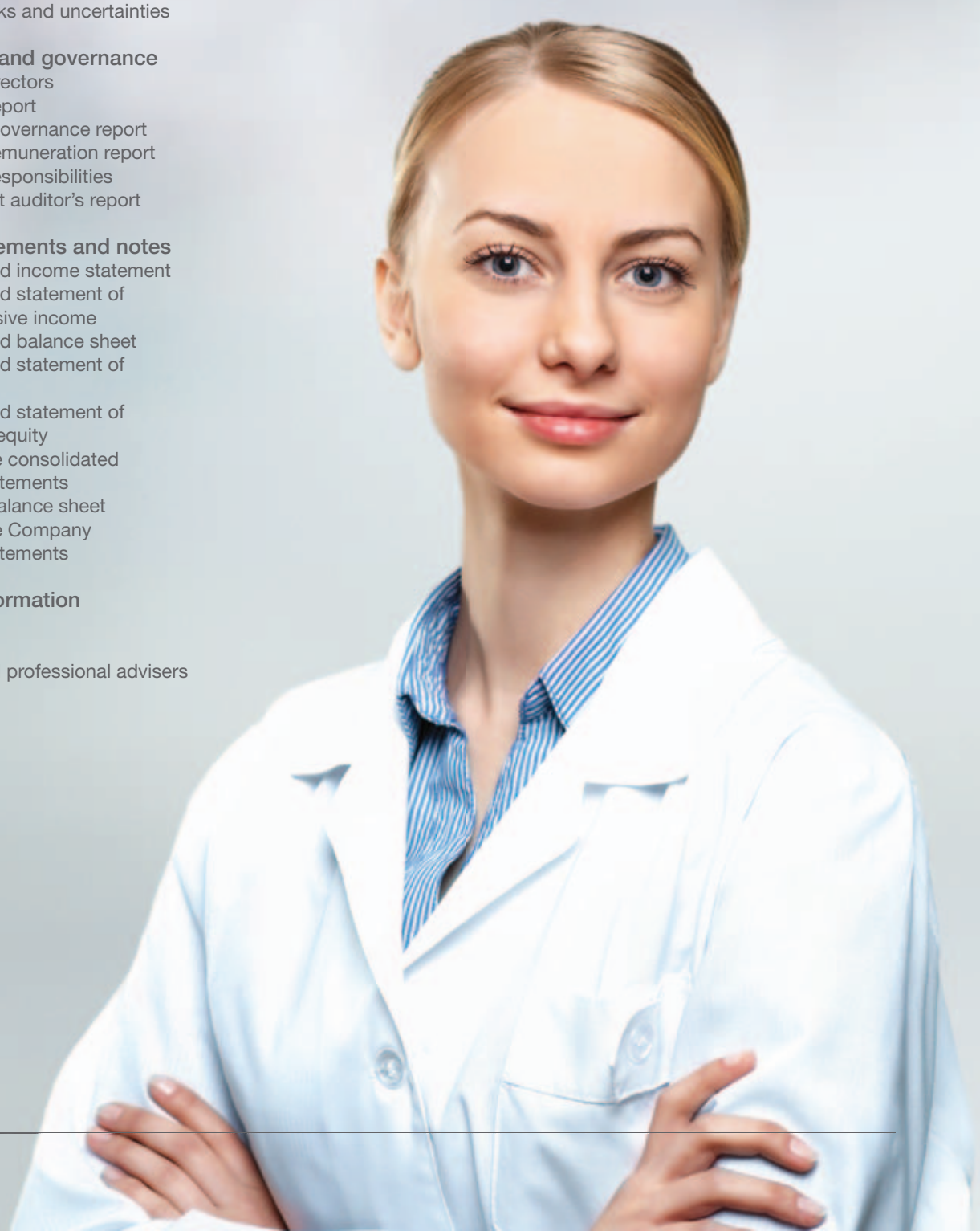
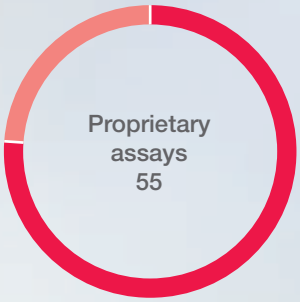
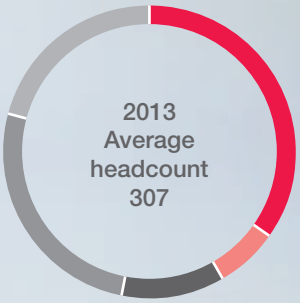


Who we are

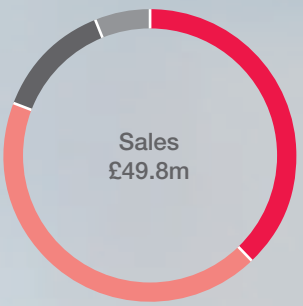
IDS is a global medical diagnostics business dedicated to the development and provision of innovative automated and manual assays.



Manual	42
Automated	13



UK	107
Germany	21
USA	35
France	80
Belgium	64



USA	38%
Europe	43%
Rest of World	13%
Other income	6%

Assay development and manufacture	Instrument development and manufacture	Global sales and distribution
IDS manufacture a range of manual and automated assays. Our development focus is in the clinical areas of bone and calcium metabolism, growth, hypertension and kidney disease	Our IDS-iSYS system provides a compact bench top system that fully automates immunoassay testing	Our sales team provides direct sales coverage in our core USA and European markets. Our growing network of distributors covers 48 countries worldwide
Newcastle, UK; Liege, Belgium	**Pouilly, France**	**Paris, France; Frankfurt, Germany; Scottsdale, USA; Newcastle, UK**

Innovative Specialty Diagnostics Group

Our products

IDS-iSYS automated system

Designed with the flexibility to accommodate unique and challenging requirements, the IDS-iSYS automation brings testing efficiency and uncompromised quality to specialty immunoassay testing.

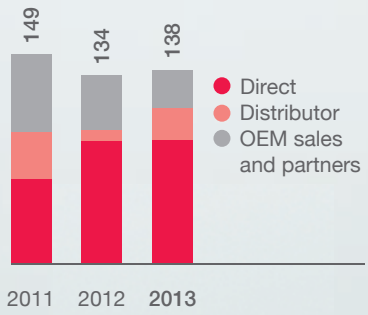
Uncompromised efficiency

- Full, walk-away automation
- Compact, bench top design
- Continuous loading with batch, random and STAT flexibility
- Easy operation with auto start-up and shut-down
- On-board refrigeration of ready-to-use reagent cartridges

Uncompromised quality

- Excellent correlation with gold-standard assays
- Independent test cuvette processing
- Traceability of samples, reagents and consumables

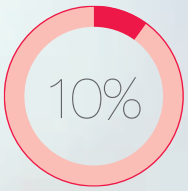
Number of IDS-iSYS systems placed per annum



IDS assay portfolio

Bone metabolism

Lifelong process where mature bone tissue is removed from the skeleton and new bone tissue is formed. Disorders of the bone include osteoporosis, rickets and Paget's disease



Bone remodelling
10% of bone is remodelled in adults per year[1]

Calcium metabolism

Mechanism by which bone maintains adequate calcium levels. Disorders of this mechanism leads to hypercalcemia or hypocalcemia, both of which have important health consequences

Body calcium
99% of total body calcium is contained in bones[2]

Growth

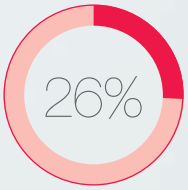
Disorders in growth can manifest as short stature in children or continued growth after puberty. These disorders are caused by a large number of hormonal, genetic and external factors

35,000

Growth hormone deficiency
About 35,000 adults in the United States have been diagnosed with growth hormone deficiency[3]

Hypertension

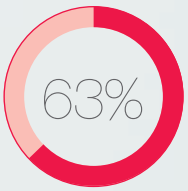
Chronic medical condition in which blood pressure in arteries is elevated. Hypertension is a major risk factor for stroke, heart attack, aortic aneurysm, and is a cause of chronic kidney disease



Adult population
26% of adult population has hypertension[4]

Chronic Kidney Disease-Mineral Bone Disorders ("CKD-MBD")

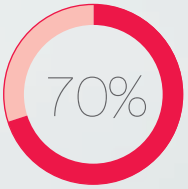
Progressive loss of renal function over a range of months or years. CKD-MBD is a bone pathology that is the direct result of the electrolyte and endocrine derangements that accompany chronic kidney disease



Chronic Kidney disease
The main causes of chronic kidney disease are diabetes (38%) and hypertension (25%)[5]

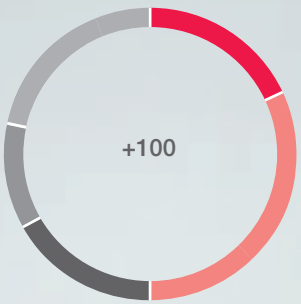
Partnerships

Outside our core clinical areas we work with groups that have a leadership position in their field



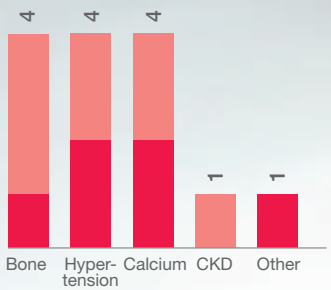
Partnerships
70% of medical decision-making is influenced by medical diagnostics[6]

References to the above table can be found on page 83.



Partnership pipeline

Infectious disease	18%
Allergy	32%
Autoimmune	17%
Oncology	12%
Other	21%

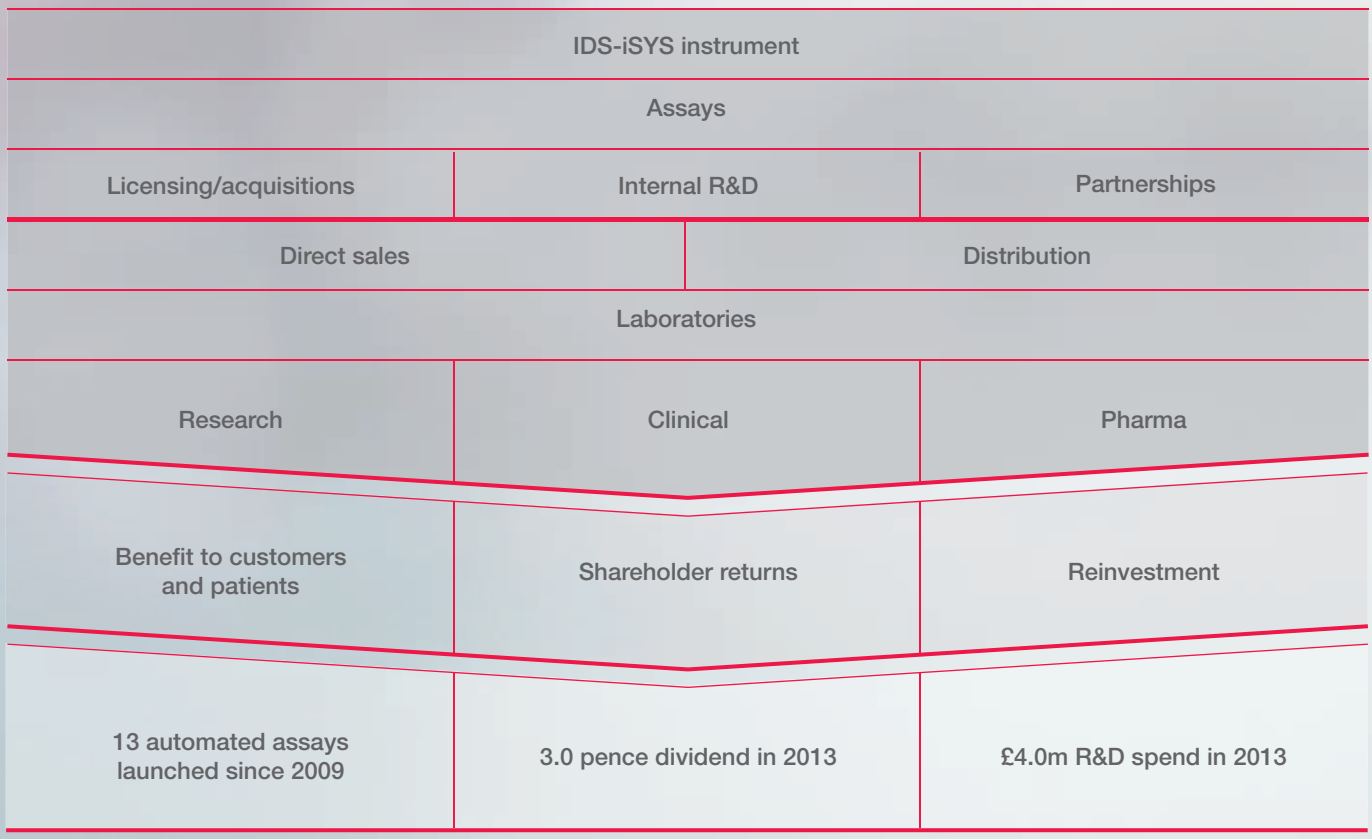


Current pipeline

- CE marking
- FDA clearance

Our business model

The business model of IDS is to develop and commercialise assays for use on its proprietary IDS-iSYS automated laboratory instrument.



- Our business model is centred on our customers
- We are committed to providing the best quality instrumentation and assays
- We focus on the provision of excellent service delivery and ongoing customer support
- We place instruments with customers and generate recurring revenues through reagent and consumable sales

Our strategy

Build on our strengths

Proven assay quality	IDS-iSYS reliability and ease of use	Excellent customer and technical support

Three key strategic priorities

Increase automated assay content	**Accelerate instrument development**	**Broaden and deepen sales presence**
Internal development: bone and calcium metabolism, growth, hypertension and kidney disease Outside these clinical areas: partnership approach	Maintain quality and reliability of instrument through continual innovation Develop IDS-iSYS Mark II	BRIC countries Invest in field sales team in core markets

Key measures of success

% of non-25OH vitamin D automated revenues	Number of placements	£m of Rest of World revenues

Revenue growth
PBT growth
Cash from operations

Highlights

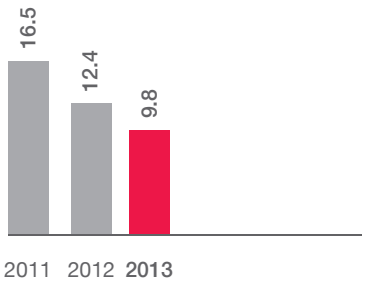
Financial highlights

- Revenue of £49.8m (2012: £53.7m), in line with management expectations
- Automated revenues (IDS-iSYS), 37.1% of overall revenues, increased by 23.7% to £18.5m (2012: £14.9m)
- Revenues from manual tests, 50.9% of overall revenues, decreased by 25.1% to £25.3m (2012: £33.8m)
- Gross margin of 73.1% (2012: 74.7%), reflecting changing product mix
- Adjusted PBT decreased by 21.0% to £9.8m (2012: £12.4m) before charging of exceptional items; statutory PBT of £10.0m (2012: £7.3m)
- Adjusted basic EPS before exceptional costs of 27.2p (2012: 29.2p); basic EPS of 27.5p (2012: 16.7p)
- Proposed dividend 3.0p (2012: 2.75p)
- Cash generated from operations of £21.4m during the financial year, closing net funds of £19.6m (2012: £6.9m)

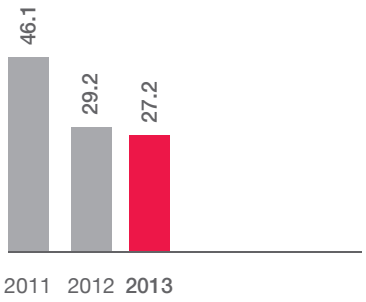
Operational highlights

- Appointment of new executive management team, Patrik Dahlen (CEO) and Chris Yates (Group Finance Director)
- Strategy refined to target new specialist assays, improved instrumentation and broader geographic sales presence
- Joint development agreement with Diagnostica Stago for next generation of IDS-iSYS instrument
- 3 new IDS-iSYS assays launched: renin, aldosterone and 1,25 dihydroxy vitamin D
- 88 net placements (2012: 87) representing an increase of 50% over the installed base as at 31 March 2012
- R&D and Chinese distribution agreement with Beijing Leadman Technology Co, Ltd

Adjusted* profit before tax March 2011-2013 £m

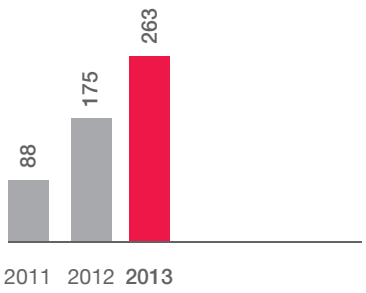


Adjusted* basic earnings per share March 2011-2013 pence



* Adjusted for exceptional items

Installed base (direct instruments) March 2011-2013



Chairman's statement

2013 has been a year of significant change for IDS. The Group reported revenue for the year of £49.8m (2012: £53.7m) and adjusted profit before tax of £9.8m (2012: £12.4m).

Anthony Martin
Non-executive Chairman

Behind the revenue performance there was, however, a significant shift in the Group's sales mix with automated revenues accounting for 37.1% of overall revenues (2012: 27.8%), manual revenues 50.9% (2012: 63.0%), instrument revenues 5.8% (2012: 5.2%) and other income (including royalties) 6.2% (2012: 4.0%). We are encouraged by this continuing move towards automated revenues, which accelerated in the second half of the financial year. We expect this shift in the sales mix to continue into 2013/14 and this should provide an improved quality of revenue and earnings.

The Group's headline profit before tax was £10.0m (2012: £7.3m). Adjusted profit before tax was £9.8m (2012: £12.4m) before exceptional net income of £0.2m (2012: charge of £5.1m).

Strategy

The Group is pursuing a threefold strategy of increasing our portfolio of specialist automated assays, developing the next generation IDS-iSYS system and entering into new geographies with attractive growth opportunities. Good progress was made in all three areas during 2012/13 and in the early part of 2013/14.

Our business model is focused on developing and launching a range of assays for use on our proprietary IDS-iSYS instrument. At the time of writing the Group has 13 assays approved for use on the IDS-iSYS instrument. This is significantly lower than our competitors and it is clear that a broader range of automated assays will enhance the functionality of the instrument to current and new customers, by offering the ability to operate a number of test panels on the same instrument. We will grow our automated portfolio through internal development, partnership and acquisition. The Group launched three internally developed assays in the financial year: renin, aldosterone and 1,25 dihydroxy vitamin D. We also made progress with our assay partners, announcing in April 2013 that we had been granted the option for the distribution rights in our core markets to the allergy tests being developed by our OEM partner, Omega Diagnostics Group plc ("Omega"). In May 2013, we announced an R&D agreement with Beijing Leadman Biochemistry Technology Co, Ltd ("Leadman") to convert over 50 of their proprietary immunoassays for use on the IDS-iSYS instrument. We will continue to pursue this flexible strategy in order to accelerate the range of tests on the IDS-iSYS instrument.

The continued development of our IDS-iSYS instrument also remains a core focus for the Group. The IDS-iSYS has a reputation for reliability and quality and it is important to retain this competitive advantage. To this end we were pleased to announce the joint development agreement with Diagnostica Stago ("Stago") in February 2013, which will underpin the evolution of the next generation IDS-iSYS system ("IDS-iSYS Mark II"). This will create a significantly more cost-effective instrument with a reduced footprint, allowing access to a greater number of laboratory customers, both in terms of size and geography. The IDS-iSYS Mark II will also be connectable to laboratory track systems, enabling improved access to large laboratory customers. The agreement with Stago underlines IDS's reputation as a best-in-class provider of instruments and highlights the potential prospects for collaboration in non-core diagnostic markets that could bring significant revenue and manufacturing efficiency opportunities. The development remains on track and the expected timescale for completion of the European system is the first half of 2015.

37.1%

Automated revenue

Automated revenues accounted for 37.1% of overall revenues (2012: 27.8%)

Strategy

The Group's threefold strategy is to:

1 Increase our portfolio of specialist automated assays

2 Develop the next generation IDS-iSYS system

3 Enter into new geographic areas with attractive growth opportunities

Chairman's statement

The third element of our strategy is to increase our geographic sales and distribution coverage and, in particular, improve our exposure to the rapidly expanding emerging markets, in particular Brazil, Russia, India and China (the BRIC countries). We were pleased to announce in May 2013 the distribution agreement with Leadman, which gives IDS access to the large and fast-growing Chinese market. We will continue to pursue opportunities to expand our distribution into Brazil, Russia, India and other selected high growth emerging markets, and we anticipate further progress in 2013/14. Furthermore, in 2013/14 we will invest to build the sales coverage in our core markets of the United States and Europe with a focus on increasing our marketing capabilities and new business team.

Board and management

2012/13 saw a significant change to the composition of the Executive team. During the year, Ian Cookson, Dr Roger Duggan and Gerard Murray stepped down as Directors of IDS. We would like to thank them for their contribution to the Group.

Patrik Dahlen was appointed CEO in July 2012. Patrik has substantial diagnostic and international industry experience, most notably with PerkinElmer Inc. and Dako A/S. Prior to his appointment, Patrik had been a Non-executive Director of IDS since December 2009. In March 2013, Chris Yates was appointed Group Finance Director. Chris has previous diagnostic experience with Cozart plc and Abingdon Health Limited.

We would like to thank Barry Hextall for stepping in as Interim Group Finance Director for the period until Chris's appointment. Barry has since resumed his role as Deputy Group Finance Director.

Further management appointments have been made including Dr Karim Tabiti as Head of Strategic Marketing, Nicola Trewin as Group HR Manager and Dr Chandra Krishnan as USA General Manager. These experienced individuals will help support Patrik and the existing team in the development and execution of the Group's strategy and in driving change within the business.

Dividend

The Board has recommended a dividend of 3.0p (2012: 2.75p).

Outlook

Trading for the first two months of the current financial year is in line with management expectations. We have continued to place additional IDS-iSYS systems and automated revenues have continued to grow as a proportion of overall revenues. We are encouraged by the continued expansion of non-25OH vitamin D tests in the current financial year. The Board continues to believe that revenues in the current year will be similar to those achieved in the year ended 31 March 2013.

Board appointment

Patrik Dahlen was appointed CEO in July 2012

3.0 pence

Recommended dividend

The Executive team has undergone significant change in the past 18 months. The Board believes that the team now in place has a clear, iterative strategy to deliver shareholder value over the medium term and we look forward to the continued execution of this strategy.

Finally, during a challenging year I would like to formally thank our employees for all their hard work and commitment over the past 12 months.

Anthony Martin
Chairman

14 June 2013

Shareholder value

A clear, iterative strategy to deliver shareholder value

Operational review

In the light of difficult market conditions we have sought to stabilise the business during the financial year and put in place a strategy to return the Group to growth.

Patrik Dahlen
Chief Executive

Whilst overall revenues declined by 7.3%, automated revenues increased by 23.7%, net placements of IDS-iSYS instruments represented an increase of 50.3% over the installed base at 31 March 2012 and three additional tests were added to the IDS-iSYS menu during the financial year.

The strategic review we undertook in 2012 highlighted the need to execute three key objectives to improve the sustainability, quality and level of our earnings. These strategic objectives are:

1) Broaden our automated assay menu
2) Develop the next generation of our IDS-iSYS instrument
3) Expand our geographical reach

We have begun to execute this strategic plan and we look forward to making further progress during 2013/14 as we reshape the business towards our automated platform.

Broaden our automated assay menu

IDS continues to invest in internal R&D as well as seeking strategic partners to increase the "content" available on the IDS-iSYS platform. Our focus is on developing and marketing a range of specialist tests in clinical areas not well served by existing providers. This niche focus allows the Group to develop a level of leadership in these market segments providing a key point of differentiation compared to our competitors. Increasing the range of tests available will enhance the value and appeal of the system. During the last year we expanded the IDS-iSYS product menu by launching a further three assays: renin, aldosterone and 1,25 dihydroxy vitamin D, the first ever automated test for this important analyte.

We remain on track in 2013/14 for further FDA clearances for 1,25 dihydroxy vitamin D, osteocalcin, renin, aldosterone, BAP and P1NP and European product launches for cortisol, Bone TRAP and MGP.

Outside of our core clinical areas of bone and calcium metabolism, growth, hypertension and kidney disease we will continue to look for alternative ways to increase the assay menu. Our preferred approach will be to partner with businesses that have a leadership position in these areas. Progress in building these partnerships continues to be made. We offer our partners access to a best-in-class instrument and the opportunity to leverage our sales and marketing capability in our core markets of the United States and Europe. This integrated approach should foster long-term collaborations which build significant value for both parties.

We continue to work with our partner Omega in the allergy testing market. In March 2011, we granted Omega a worldwide licence to develop and distribute allergy tests on the IDS-iSYS automated instrument. Omega's initial target is to launch 40 allergy tests in 2014, with a further development path to eventually increase the range of allergens tested to 150. We strengthened the partnership with Omega in April 2013 with the announcement that IDS will have the option to exclusive rights to distribute the allergy tests developed by Omega on the IDS-iSYS in our core markets including the USA, Germany, France, Scandinavia and the UK.

Assay portfolio

2012/13 CE marked products launched: renin, aldosterone, 1,25 dihydroxy vitamin D

2013/14 possible FDA clearance: 1,25 dihydroxy vitamin D, osteocalcin, renin, aldosterone, BAP and P1NP

2013/14 potential European product launches: Bone TRAP, cortisol and MGP

23.7%

Increase in IDS-iSYS automated revenues

In May 2013, we announced a significant R&D collaboration with Leadman, a leading Chinese diagnostics group. Over the initial three-year period the target is to convert over 50 of Leadman's proprietary immunoassays for use on the IDS-iSYS instrument. Leadman currently markets a range of immunoassays in the thyroid, tumour, fertility, cardiac, diabetes and infectious disease areas. It is anticipated that the conversion and subsequent regulatory approval of the first 15 immunoassays will take approximately 12-18 months. Leadman will distribute these converted assays in China with IDS having exclusive rights to distribute these assays outside of China.

Overall, we currently have 13 proprietary assays approved for use on the IDS-iSYS instrument. It is our intention to grow our assay portfolio to over 100 in the medium term through this strategy of internal development, targeted partnership and also acquisition.

Develop the next generation of our IDS-iSYS instrument

The IDS-iSYS instrument remains a best-in-class instrument with a track record of reliability. Our "mean time between failures" is around 190 days and is a key indicator of the robustness of our instrument.

It is critical to continue to improve our instrument in light of technological developments to meet our customers' evolving needs. Our development agreement with Stago, as reported in the Chairman's statement, will accelerate this process and we anticipate the launch of our next generation of IDS-iSYS instrument in the first half of 2015. From a customer perspective, the instrument will be smaller and therefore take up less laboratory space. In addition, for higher throughput customers using laboratory tracking systems, the next generation instrument will be "trackable". This will improve efficiency for customers and increase the attraction of using the IDS-iSYS system.

The base cost of the instrument is anticipated to be materially lower than the current instrument, allowing the Group to remain competitive and also target lower throughput assays where current returns are not as attractive. In addition, the partnership with Stago should lead to a significant uplift in the volume of instruments being manufactured. Stago will have exclusive rights to sell the IDS-iSYS instrument in its core haematology market and initial estimates suggest a significant increase in the volume of instruments being placed.

The final specifications for the IDS-iSYS Mark II instrument were approved in March 2013 by both IDS and Stago. Stago are contributing €1m to the development of the instrument, payable on the achievement of certain milestones and the first €0.5m of the contribution from Stago was received in April 2013. We anticipate the first prototype will be available in 2014 with product launch in H1 2015.

190 days

Mean time between failures

A key indicator of the robustness of the IDS-iSYS

Looking forward

We anticipate the launch of our next generation of IDS-iSYS instrument in the first half of 2015

Operational review

Expand our geographical reach

Rest of World represented only 13.3% of the Group's revenues in 2013 (2012: 13.0%) and is a significant growth opportunity for the Group. We restructured our distribution business during 2012/13 and, under new leadership, our export team have a greater focus on capitalising on opportunities for the IDS-iSYS in higher growth emerging markets, notably the BRIC countries.

We were pleased to announce the appointment in May 2013 of Leadman as our Chinese distributor. We anticipate making further progress in 2013/14 by building our distribution base into Brazil, India and Russia. In addition, we are actively pursuing opportunities in other developing IVD markets such as Mexico and Poland.

Year ended 31 March	2013 £000	2012 £000	% change Actual FX rates	% change Constant FX rates
USA	**18,721**	22,274	(16.0)	(16.7)
Europe	**21,342**	22,296	(4.3)	1.4
Rest of World	**6,637**	6,980	(4.9)	(2.3)
Other income	**3,072**	2,120	44.9	44.6
Group revenue	**49,772**	53,670	(7.3)	(4.8)

We will continue to invest sales and marketing resources in our core USA and European markets and anticipate growing our sales force in 2013/14 to improve sales coverage and reach critical mass.

The Group's USA revenue declined by 16.7% at constant exchange rates in the year ended 31 March 2013. This was mainly due to a 32.5% decline in manual revenue, primarily the result of lower manual 25OH revenues. Automated revenue in the USA increased by 32.8% with non-25OH vitamin D revenues growing at 485.4%. Whilst 2012/13 was a disappointing year in the USA, we are confident we will see an improved performance in 2013/14 with the anticipated FDA approval of a number of automated tests, the introduction of our new USA General Manager and further investment in our sales and marketing team.

In Europe, we saw a growth in revenues at a constant exchange rate of 1.4%. Overall, in Europe we saw a 26.4% decline in manual revenues, driven by a 30.3% decline in manual 25OH vitamin D revenues. Growth of automated revenue in Europe of 22.6% to £9.8m was encouraging with non-25OH vitamin D revenues growing at 130.8%. The picture in Europe was mixed with Germany seeing a strong performance in 2012/13 with overall revenue growth of 14.2%. However, France saw a 15.8% decline in revenues.

13.3%

Rest of world revenues

Geographic reach

We anticipate making further progress in 2013/14 by building our distribution base into Brazil, India and Russia

Business review

IDS produced a creditable performance given the continued headwinds from a declining manual 25OH vitamin D market, increased automated vitamin D competition and increased laboratory consolidation in France.

Year ended 31 March	2013 £000	2013 %	2012 £000	2012 %	% change
Automated revenue (IDS-iSYS)					
25OH vitamin D	**11,399**		11,172		2.0
Other specialty	**3,823**		1,633		134.1
Operating lease rental	**3,266**		2,140		52.6
Total automated	**18,488**	**37.1%**	14,945	27.8%	23.7
Manual revenue					
25OH vitamin D	**12,133**		19,421		(37.5)
Other specialty	**13,213**		14,403		(8.3)
Total manual	**25,346**	**50.9%**	33,824	63.0%	(25.1)
Instrument revenue	**2,866**	**5.8%**	2,781	5.2%	3.1
Other income	**3,072**	**6.2%**	2,120	4.0%	44.9
	49,772	**100%**	53,670	100%	(7.3)

Group revenues were down 7.3% to £49.8m (2012: £53.7m) mainly as a result of the continued decline in manual 25OH vitamin D revenues (2013: £12.1m, 2012: £19.4m).

We were pleased with the 23.7% growth in automated revenues to £18.5m (2012: £14.9m) and we anticipate revenues will be increasingly weighted towards our automated platform as we continue the implementation of our strategic plan. This increased level of automated revenue will provide the Group with an improved quality of revenue and earnings as the placement of instruments creates a platform for the generation of repeatable reagent revenues.

Automated test revenue

	H1 2013 £000	H2 2013 £000	2013 Total £000	H1 2012 £000	H2 2012 £000	2012 Total £000
Automated revenue (IDS-iSYS)						
25OH vitamin D	**5,498**	**5,901**	**11,399**	5,354	5,818	11,172
Other specialty	**1,253**	**2,570**	**3,823**	596	1,037	1,633
Operating lease rental	**1,460**	**1,806**	**3,266**	976	1,164	2,140
Total automated	**8,211**	**10,277**	**18,488**	6,926	8,019	14,945

During the financial year ended 31 March 2013, automated revenues grew to £18.5m (2012: £14.9m) to represent 37.1% of Group revenues (2012: 27.8%). Driving the expansion of non-25OH vitamin D tests is a key priority for the Group. The Board is therefore encouraged by the growth seen in sales of its automated specialty test kits (including 1,25 dihydroxy vitamin D), particularly the Group's bone, growth and hypertension panels. Non-25OH vitamin D automated tests accounted for 20.7% of the Group's automated revenues (2012: 10.9%). Excluding the impact of IFRIC 4, non-25OH vitamin D automated tests accounted for 25.1% of the Group's automated revenues (2012: 12.8%).

134.1%

Growth in other specialty automated revenues

Revenue and earnings

This increased level of automated revenue will provide the Group with an improved quality of revenue and earnings

Operational review

H2 2012/13 saw a 25.2% increase in automated revenues compared to H1 2012/13 and a 28.2% increase in revenues compared to H2 2011/12. This was driven by a 105.1% and 147.8% increase in Other Specialty automated revenues compared with H1 2012/13 and H2 2011/12 respectively.

The Group discloses the 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. This has the effect of reducing automated 25OH vitamin D revenues from £13.8m to £11.4m and Other Specialty from £4.6m to £3.8m. Total operating lease income increased from £2.1m in 2011/12 to £3.3m in 2012/13.

Growth in automated revenues is dependent on continued placements of the Group's IDS-iSYS instrument. In 2013, direct instrument placements were 88 (net of returns) (2012: 87) representing an increase of 50.3% over the installed base as at 31 March 2012. Direct instruments are those sold or placed with reagent rental IDS end-user customers in the Group's core markets of the USA and Europe (excluding distributor territories of Spain and Italy). The total number of instruments placed (directly or through distributors) and sold to OEM partners was 138 (2012: 134).

	2013 H1	2013 H2	2013 Total	2012 H1	2012 H2	2012 Total
Direct – net placements	**41**	**47**	**88**	41	46	87
Direct – installed base to date	**216**	**263**	**263**	129	175	175
Distributor – gross placements	**10**	**13**	**23**	5	3	8
Distributor – placements to date	**64**	**77**	**77**	51	54	54
OEM sales and partners	**7**	**20**	**27**	33	6	39

Average revenue per direct instrument ("ARPI") was £72,000 per annum (calculated on a rolling 12-month basis) (2012: £84,000). This decline was anticipated due to our focus on small to medium sized laboratories and our changing product mix. Typically, our new instrument placements are at a lower ARPI than historic levels and we would expect some downward trend in ARPI to continue in 2013/14. However, we remain confident that the return on capital and overall margin achieved from these instrument placements remains attractive.

88

Direct instrument placements (net)

£72k

Average revenue per direct instrument

Manual test revenue

The majority of the decline in manual revenues to £25.3m (2012: £33.8m) was a result of the decline in manual 25OH vitamin D revenues to £12.1m (2012: £19.4m). This was primarily due to reduced volumes, as customers switched to using an automated platform. However, there was also a level of price erosion seen in this market. We saw some benefit from this switching coming through in our automated test volumes for 25OH vitamin D although much of this volume was also lost to competition. Aside from manual 25OH vitamin D, our portfolio of other manual products performed reasonably with revenues of £13.2m (2012: £14.4m).

	H1 2013 £000	H2 2013 £000	2013 Total £000	H1 2012 £000	H2 2012 £000	2012 Total £000
Manual revenue						
25OH vitamin D	**6,556**	**5,577**	**12,133**	10,449	8,972	19,421
Other specialty	**6,699**	**6,514**	**13,213**	7,242	7,161	14,403
Total manual	**13,255**	**12,091**	**25,346**	17,691	16,133	33,824

It is critical that we continue to defend our position in the manual market and maximise our sales potential. We continue to review our sales strategy for this product portfolio as the market develops. One recent outcome of this review process was the appointment, in March 2013, of Oxford Biosystems Cadama as the official UK sales and marketing partner of IDS for all manual assays.

Instrument revenue

The Group generated £2.9m of revenue (2012: £2.8m) from the sale of instruments to OEM partners and distributors.

Other income

Other income grew strongly to £3.1m (2012: £2.1m) and represented 6.2% of total revenue (2012: 4.0%). This was primarily due to one partner achieving a significant increase in volumes of its sales, which in turn generated a consequent rise in royalty income for the Group. We anticipate the royalty income from this partner will continue in the current financial year, however, there is the potential over the medium term for this income stream to be eroded or removed if the partner no longer requires access to our intellectual property. The Stago licence fee of €2m agreed in February 2013 made limited contribution to the Other income the Group recognised in 2012/13 as it is spread over the first 14 months of the agreement.

Operations

IDS operates three manufacturing sites: (primarily) manual reagents (Boldon, UK); automated reagents (Liege, Belgium); and IDS-iSYS system production (Pouilly, France) as well as four sales offices: Paris, France (covering UK, France, North Africa); Frankfurt, Germany (covering Germany, Scandinavia and the Baltics); Boldon, UK (Rest of World distribution) and Scottsdale, Arizona (North America).

During the year ended 31 March 2013, the average Group headcount was 307 full-time equivalents (2012: 324).

Market position

We continue to defend our position in the manual market and maximise our sales potential

€2m

Stago initial licence fee

307

Average Group headcount

Operational review

We are focused on improving operational efficiency across the Group and we are committed to continuously appraising our cost base to ensure that the right resources are dedicated to the right areas. A number of areas of the Group's sales and marketing organisation in our core markets require strengthening and we will make targeted recruitment to fill these gaps.

IDS Connect

Implementation of the new Group-wide integrated systems architecture has progressed during the financial year with one site becoming operational in 2012/13 and two sites in early 2013/14. Further sites are planned to become operational during the course of the current financial year. The solution, which is built on a Microsoft SQL platform and based around a leading mid-market ERP and CRM system (Infor Syteline) coupled with Microsoft Sharepoint, will facilitate a significant advance in the operational efficiency of the Group.

Summary

In a challenging environment IDS continued to make progress by:

- Stabilising the business with solid revenues, profitability and cash flow
- Setting out a clear strategic plan with a focus on building the Group's automated platform
- Strengthening the management team to accelerate strategy execution and drive change
- Enhancing the medium-term assay pipeline through internal development and partnership
- Commencing the development of the next generation of IDS-iSYS instrument
- Expanding the geographic presence into the BRIC countries.

We are pleased with the progress made to date but the Group is in the early stages of a strategic journey to refocus the business towards its automated platform and niche clinical areas. We will continue to focus on executing our strategic plan and driving change within the business in the current year and beyond.

Patrik Dahlen
Chief Executive

14 June 2013

Cost base

We are committed to continuously appraising our cost base to ensure that the right resources are dedicated to the right areas

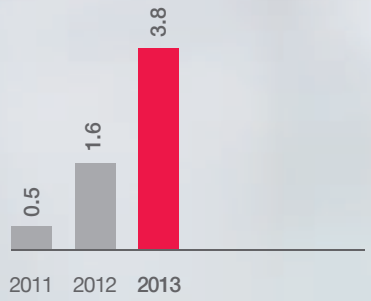
Automated platform

Clear strategic plan with a focus on building the Group's automated platform

Key performance indicators (KPIs)

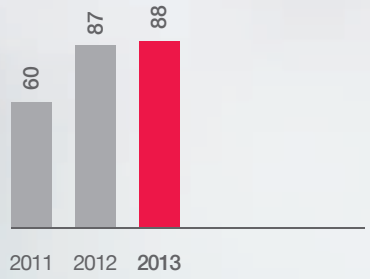
Our KPIs measure how we are doing across the Group operationally and financially in the context of the key elements of our strategy.

Non-25OH vitamin D automated revenues £m



Increase our range of assays and reduce our reliance on vitamin D testing.

Direct instrument placements number

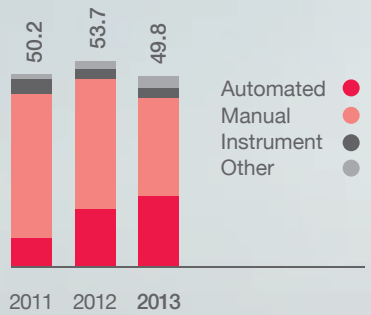


Increased placements builds the level of automated revenue and underpins the development of our revenue reagent model.

Rest of World revenues £m

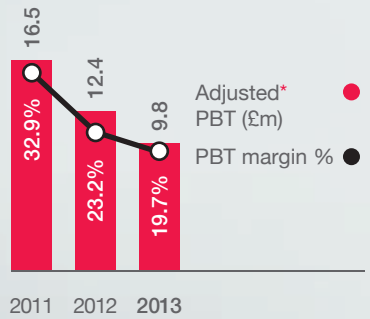
BRIC countries represent the fastest-growing IVD markets with forecast growth of 12% to reach US$5bn in 2014.

Revenue £m



Reported revenues were down 7.3%. Automated revenues increased 23.7%.

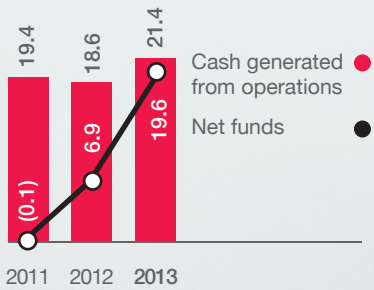
Adjusted* PBT



Reported PBT was £10.0m with adjusted* PBT of £9.8m.

* Before exceptional items

Cash generated from operations £m



Cash generated from operations was £21.4m with net funds of £19.6m at year end.

Financial review

The Group achieved £10.0m of profit before tax (2012: £7.3m) in 2013. We will continue to focus on improving our operating efficiency to deliver sustainable savings that can be reinvested in building the Group's sales and marketing capabilities.

Chris Yates
Group Finance Director

Cash generated from operations in 2013 was strong at £21.4m (2012: £18.6m). As a result of this strong cash flow, net funds increased from £6.9m as at 31 March 2012 to £19.6m as at 31 March 2013.

Year ended 31 March	2013 £000	2012 £000
Revenue	**49,772**	53,670
Gross profit	**36,371**	40,096
Gross margin	**73.1%**	74.7%
Operating costs	**(22,145)**	(24,263)
Depreciation and amortisation	**(6,494)**	(5,484)
Capitalised development costs	**2,035**	2,345
Net finance income/(cost)	**24**	(267)
PBT pre-exceptionals	**9,791**	12,427
Exceptional income/(costs)	**246**	(5,177)
PBT post-exceptionals	**10,037**	7,250

Group revenue of £49.8m (2012: £53.7m) reduced by 7.3% with strong automated revenue growth (23.7%) and other income growth (44.9%), partly offsetting continued declines in manual revenues (25.1%).

Gross profit of £36.4m (2012: £40.1m) was down 9.3% as a result of lower revenues. Gross margin percentage of 73.1% was an underlying decrease of 1.6%, reflecting the change in revenue mix.

Overheads

The Group's total overheads comprise:

Year ended 31 March	2013 £000	2012 £000
Sales and distribution	**8,143**	8,400
Research and development	**3,964**	4,424
Other administration costs	**10,038**	11,439
Operating overheads	**22,145**	24,263
Capitalisation	**(2,035)**	(2,345)
Depreciation	**2,415**	2,162
Amortisation	**4,079**	3,322
Pre-exceptional overheads	**26,604**	27,402
Exceptional (income)/costs	**(246)**	5,177
Total overheads	**26,358**	32,579

Operating overheads decreased by 8.7% to £22.2m (2012: £24.3m). Recurring payroll costs represent approximately 61% of recurring operating overheads (2012: 58%). The decrease in recurring operating overheads was primarily the result of lower headcount with average overhead headcount reducing from an average of 324 in the year ended 31 March 2012 to 307 in the year ended 31 March 2013.

£21.4m

Cash generated from operations

Efficiency

Further efficiencies will drive continued investment in sales and marketing

The Group capitalised a number of development projects during the year including both instrument and new assay developments. Costs are capitalised once all the recognition criteria of IAS 38 Intangible Assets are met. The total amount of development cost overheads capitalised reduced from £2.0m in 2012 to £1.6m in 2013. These developments are reviewed on a periodic basis throughout the financial year and the costs are impaired if a development no longer meets the required criteria. In addition, if commercial or technical changes result in capitalised developments no longer being commercially feasible, then their associated costs will be impaired. As set out in exceptional items below, this ongoing review resulted in a number of previously capitalised costs being written off during the financial year.

Overall, pre-exceptional overheads decreased by 2.9% to £26.6m (2012:£27.4m).

£22.1m

Operating overheads

Overall, excluding exceptional items, operating overheads decreased by 8.7% to £22.1m

Finance income/(cost)

Net finance income was £0.0m (2012: net cost £0.3m).

Exceptional items

The Group incurred a number of exceptional items during the current and previous financial year:

Year ended 31 March	2013 £000	2012 £000
Release of provision against BHH receivable	**1,505**	(2,795)
Retirement of development costs	**(794)**	(481)
Impairment of assay development costs	**(465)**	(604)
Restructuring costs	**–**	(1,297)
Total exceptional income/(costs)	**246**	(5,177)

£1.5m

Exceptional gain

£1.5m exceptional gain from settlement of BHH receivable

Provision against BH Holdings SAS ("BHH") receivable

In March 2012, the Group fully provided for a €3.2m deferred payment from BHH, the purchaser of the Group's haematology division in December 2008, following BHH going into administration. In 2013, €1.9m was recovered from Escalon Medical Corporation, BHH's ultimate parent, as full and final settlement of the receivable. This led to an exceptional gain of £1.5m being recorded in 2013 as a result of this agreement.

Retirement of development costs

The development of the IDS-iSYS system continues each year in order 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 £0.5m of capitalised costs that were previously incurred on earlier projects have been retired where appropriate. £0.3m of assay development costs were also retired.

Impairment of assay development costs

The bi-annual review of the assay register to identify any risk of impairment determined that some assays that had commenced the development phase had subsequently failed to meet the requirements of IAS 38 due to changes in the market or technical issues arising during the development phase. As a consequence, the development costs that had been capitalised in connection with these assets have been impaired.

Financial review

Taxation

The tax charge of £2.2m (2012: £2.5m) results from a full year effective tax rate of 22.3% (2012: 34.6%). This comprises a tax charge of £2.4m that arose in the year and a deferred tax credit of £0.2m. The Group continues to provide £2.0m (2012: £1.5m) against the deferred tax asset of £2.8m, relating mainly to losses attributable to the Group's French and Belgian subsidiaries, given the uncertainty as to the recoverability of these losses.

The total tax charge includes a charge of £0.2m, relating to exceptional items. This equates to a pre-exceptional tax rate of 21.3% (2012: 33.5%).

Earnings per share

Adjusted earnings per share is calculated using profit after tax adjusted to exclude the after tax effect of exceptional items. Adjusted basic earnings per share is 27.2p (2012: 29.2p).

Basic earnings per share has increased to 27.5p (2012: 16.7p).

Balance sheet

The Group's shareholders' funds at 31 March 2013 were £79.8m (2012: £72.3m).

The fixed assets of the Group consist primarily of property (2013: £0.8m, 2012: £1.3m), IDS-iSYS instruments (2013: £6.7m, 2012: £5.6m) and other tangible fixed assets (2013: £2.5m, 2012: £2.6m), goodwill (2013: £16.3m, 2012: £16.8m), capitalised development costs (2013: £15.6m, 2012: £17.7m) and other intangible fixed assets (2013: £18.3m, 2012: £19.1m).

The decrease in capitalised development costs was largely the result of the combined impact of higher amortisation, impairment and retirement of development costs (2013: £3.7m, 2012: £2.4m) and lower capitalised costs in the year (2013: £1.6m, 2012: £2.0m).

As at 31 March 2013, the Group had net funds of £19.6m (2012: £6.9m). The Group's financial position remains robust. IDS will invest its capital as appropriate in executing the strategic plan, whilst ensuring returns generated from such investment are appropriate and deliver shareholder value. In addition, 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.

Cash flow

IDS generated strong cash flows from operations of £21.4m (2012: £18.6m). The cash position benefited from the impact of two notable items, namely the recovery of the BHH receivable (£1.5m) and the Stago licence fee (£1.7m). Excluding these items the Group generated cash inflow from operations of £18.2m.

27.2 pence

Adjusted earnings per share

adjusted basic earnings per share

£19.6m

Net funds

Capital investment

IDS will invest its capital . . . ensuring returns generated are appropriate and deliver shareholder value

Foreign exchange

In the period 44% of the Group's revenues were denominated in US Dollars, 44% Euros, 10% Sterling and 2% Other currencies.

The average exchange rates used to translate revenue in the year are:

Average exchange rates	2013	2012	Weakened/ (strengthening) against Sterling
Sterling : US Dollar	**1.59**	1.60	(0.6)%
Sterling : Euro	**1.23**	1.15	7.0%

The effect of these exchange rate changes on the results for the year is to decrease reported revenue by £2.6m.

Dividend

The Board is proposing a dividend for the year of 3.0p (2012: 2.75p) subject to the approval of shareholders at the Annual General Meeting. The dividend will be paid on 23 August 2013 to shareholders on the register at the close of business on 26 July 2013.

Chris Yates
Group Finance Director

14 June 2013

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
Competitive position	The Group is an increasingly significant competitor in the automated diagnostics market and its products, especially 25OH vitamin D, have attracted 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 continues to develop its strategy 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. We are also focused on the provision of excellent service delivery and ongoing customer support.
Operational effectiveness	The Group is focused on delivering new products and satisfying demand for existing products. It is enhancing quality to meet ever more stringent and diverse regulatory requirements and increasing efficiency and reducing waste to protect margins in the face of price pressure. 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, enhanced process excellence and improved efficiency.
Product range extension and revenue diversification	Continued development of innovative assays and instrumentation, in-house and through partner collaborations, is key to delivering long-term and sustainable shareholder value. Accurately assessing commercial value and technical feasibility, and executing developments effectively is key to achieving the Group's objectives in the longer term. Strategic partners are an increasingly important aspect of the Group's strategy of revenue diversification, and close management of these relationships is essential to avoid significant discontinuities.	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. Recently announced strategic partnerships will also broaden the Group's offering in the medium term through the addition of product revenues and licence and royalty income, and reduce dependency on in-house and existing partner revenue streams.

Risk	Impact	Mitigation
Management of change	During the last financial year the Group has changed key members of its senior leadership team (CEO, Group Finance Director) and is managing the transition within its business model from manual to automated products, while responding to the challenges of new competitive threats in its major product market. Managing these changes effectively is necessary to achieve the Group's objectives and, as a consequence, deliver the required profitability and shareholder returns.	The Board regularly meets with Executive Management to review progress against strategy, and 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.
Information systems	The Group maintains an integrated information systems architecture and is in the process of implementing a global ERP and CRM solution to facilitate continued business growth and increased sophistication. The stability of the legacy platforms and the effective execution of this programme are a key risk to avoid any disruption to the Group's business model.	Resources are split between legacy support and ERP implementation. Project resourcing combines 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.
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 rate movements.	Natural hedging is preferred, where possible, by matching costs and revenues and assets and liabilities in their transactional currencies.
Regulatory	As the Group expands internationally it must meet ever-increasing regulatory requirements that require continued investment in people, training, facilities and systems. Failure to do so can lead to delays in penetrating new markets and disruption to existing revenue streams.	The Group employs 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.

Board of Directors

From left: Roland Sackers, Patrik Dahlen, Martha Garrity, Anthony Martin, Eddie Blair, Alain Rousseau, Chris Yates, Burkhard Wittek.

Dr A F Martin
(aged 59), 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 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 & 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. He has served as Chairman of Molecular Insight Pharmaceuticals Inc. and has also served on the Boards of Invitrogen Corporation and Agilent Technologies.

Dr P O Dahlen
(aged 51), Chief Executive Officer

Patrik was appointed Chief Executive Officer of IDS in July 2012, having worked with the Company since December 2009 as a Non-executive Director. He has over 25 years' experience in the diagnostic and life sciences industry. Patrik spent the first 16 years of his career with PerkinElmer, focused on building their life science and diagnostic business, particularly in the areas of neonatal and prenatal screening. More recently Patrik has been CEO of diagnostic companies including Dako and Chempaq. At Dako, Patrik helped focus the company on cancer diagnostics and repositioned it as a leading provider of cancer diagnostics products, including Companion Diagnostics partnerships and products. Patrik is Chairman of the Board of QuantiBact, and is a member of the Board of DiaGenic.

Mr C H F Yates
(aged 39), Group Finance Director

Chris joined IDS in March 2013 from private equity-backed Nexus Vehicle Holdings Limited, where he was Group Finance Director from 2009 to 2013.

Chris gained a Masters degree in economics from Cambridge University in 1995 and qualified as a Chartered Accountant with PwC in 1998. Chris then spent eight years in corporate finance, latterly with Piper Jaffray.

From 2005 to 2007, Chris held the position of Group Finance Director at medical diagnostic group Cozart plc. During his time at Cozart, Chris led the acquisition of four European companies, creating a pan-European medical diagnostics group. Cozart was subsequently acquired by Concateno plc (now part of Alere Inc.). In 2008, Chris then furthered his industry expertise by co-founding private specialist diagnostics company, Abingdon Health Limited. Chris remains a Non-executive director of Abingdon Health Limited.

Dr M L Garrity PhD
(aged 52), Technical Director

Martha joined the Company in February 2007, after 11 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 62), 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 that 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.

Dr E D Blair PhD
(aged 54), 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 15 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 and chief executive officer of Integrated Magnetic Systems Limited.

Mr R Sackers
(aged 44), 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 enables 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. He joined QIAGEN in 1999 and has been Chief Financial Officer since 2004. In 2006, Roland was named as a Managing Director. Prior to joining QIAGEN, he acted as an auditor with Arthur Andersen. Roland Sackers is a Board member of the industry association BIO Deutschland.

Dr B Wittek
(aged 59), Non-executive Director

Burkhard holds an MBA from Harvard Business School. After working for Dresdner Bank AG he spent 13 years with The Boston Consulting Group where he was a senior partner 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 publicly quoted companies.

Directors' report

The Directors submit their report and audited financial statements of the Company and of the Group for the year ended 31 March 2013.

Immunodiagnostic Systems Holdings PLC is a public limited company, incorporated and domiciled in England and its shares are admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange.

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.

Business and financial review
The Board of Directors judge the Company's financial performance by reference to the internal budget, which is established at the beginning of each financial year. A comprehensive review of the year is given in the Chairman's statement (pages 7 to 9), the Operational review (pages 10 to 16) and the Financial review (pages 18 to 21).

Results and dividend
The Group's profit on ordinary activities after tax for the year was £7.8m (2012: £4.7m). No interim dividend was paid (2012: £nil) and the Directors have recommended a final dividend of 3.0p (2012: 2.75p) 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 and calcium metabolism, growth, hypertension and kidney disease.

Directors
The Directors who served the Company during the year were as follows:

Director	Position
Dr A F Martin	Non-executive Chairman
Dr P O Dahlen*	Chief Executive Officer
Mr C H F Yates	Group Finance Director (appointed 4 March 2013)
Dr M L Garrity	Technical Director
Mr A Rousseau	Engineering Director
Dr E D Blair	Non-executive Director
Dr B Wittek	Non-executive Director
Mr R Sackers	Non-executive Director
Mr P Hailes	Group Finance Director (resigned 1 April 2012)
Mr C I Cookson	Chief Executive Officer (resigned 22 June 2012)
Dr R T Duggan	Deputy Chairman and Business Development Director (resigned 14 September 2012)
Mr G T Murray	Group Finance Director (appointed 1 April 2012; resigned 30 November 2012)

* Mr P O Dahlen was a non-executive Director before being appointed CEO on 1 July 2012

All Directors served throughout the year, unless indicated.

The Executive Directors have options granted to them under share option schemes; details are included within the Directors' remuneration report.

Directors' indemnities
As permitted by the Company's Articles of Association, indemnities for each Director of the Company were granted to each Director on 2 May 2013.

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

Policy on the payment of creditors
It is the Company's policy to ensure that all creditors are paid in full within the agreed terms of business. Trade creditors of the Group at 31 March 2013 were equivalent to 50 days purchases (2012: 41 days), based on a countback method.

Disabled employees
The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement
The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Group, has been continued through regular briefings in which employees have also been encouraged to present their suggestions and views on the Group's performance.

Environmental policy
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, while 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 continually to improve on how we can reduce any adverse impact on the environment
- the Group will continue to seek 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 that is collected and disposed of by specialist contractors.

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 contributions of £4,131 to charitable organisations in the year (2012: £nil).

Financial instruments
As sales through our subsidiary undertakings continue positively to 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 risks do not appear to be a significant problem as the majority of revenue is generated through subsidiaries, which deal directly with end users and are able to maintain very good relationships with respect to pricing and credit control. Note 38 gives information on the financial risks the Group is exposed to.

Directors' report

Principal risks and uncertainties
The principal risks and uncertainties are set out on pages 22 and 23.

Related party transactions
Relevant transactions are detailed in Note 30 of the financial statements.

Annual General Meeting
The Company's Annual General Meeting will be held on Friday 26 July 2013 at 2:00pm at the offices of Immunodiagnostic Systems Holdings PLC, 10 Didcot Way, Boldon Business Park, Boldon, Tyne and Wear NE35 9PD.

Auditors
Ernst & Young LLP were appointed Company auditors at the Annual General Meeting held on 14 September 2012, and will be recommended for reappointment at the Annual General Meeting to be held on Friday 26 July 2013.

Directors' statement as to disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Directors' report are listed on page 26. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Andrew Davison LLB
Company Secretary

14 June 2013

Corporate governance report

The UK Corporate Governance Code 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 has formally adopted the principles of good governance set out in the UK Corporate Governance Code. However, the Directors have taken into consideration the Guidance for Smaller Quoted Companies on the UK Corporate Governance Code, produced by the Quoted Companies Alliance, and the size and the nature of the Group in deciding how to apply these principles within the Group.

Directors

As at the Group's year end 31 March 2013, the Board comprised of four Executive Directors, a Non-executive Chairman and three other Non-executive Directors. Details of the current Directors are set out on page 26. The composition of the Board is designed to provide an appropriate balance of executive and non-executive 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.

A summary of Board meetings attended in the 12 months to 31 March 2013 is shown below:

	Board meetings	
Director	Attended	Eligible
Dr A F Martin	9	9
Dr P O Dahlen	8	9
Mr C H F Yates	1	1
Dr M L Garrity	8	9
Mr A Rousseau	9	9
Dr E D Blair	9	9
Dr B Wittek	8	9
Mr R Sackers	8	9
Mr P Hailes	–	–
Mr C I Cookson	1	3
Dr R T Duggan	5	5
Mr G T Murray	7	7

It is the responsibility of the Chairman 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 on page 24. 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 and Mr R Sackers to be independent.

The Executive Directors are Dr P O Dahlen, Mr C H F Yates, 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

Directors' commitments

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 to discuss matters on the telephone.

Board committees

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

The Audit Committee

The Audit Committee comprises Mr R Sackers, (a qualified accountant and Chairman of the committee), Dr A F Martin and Dr B Wittek. The Board considers that this committee is independent, as two of the members are independent Non-executive Directors. The Audit Committee is responsible for the relationship with the Group's external auditors, 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 4 to the financial statements.

The Board is satisfied that the external auditors are independent in the discharge of their audit responsibilities.

The Remuneration Committee

The Remuneration Committee comprises Dr E D Blair (Chairman), Dr A F Martin and Dr B Wittek. It reviews the performance of Executive Directors, sets the scale and structure of their remuneration and reviews the basis of their service agreements with due regard to the interests of shareholders and the policy set by the Board (on the recommendation of the Committee). The Board itself determines the remuneration of the Non-executive Directors. The Remuneration Committee also makes recommendations to the Board 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 on pages 32 to 36.

The Nomination Committee

The Nomination Committee comprises Dr A F Martin (Chairman), Dr B Wittek and Dr E D Blair. The Nomination 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 meet on an occasional basis, as matters arise.

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 AIM Rules and requirements of the relevant legislation. 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, Operational review and Financial review contain 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 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 system in place for financial reporting ensures that 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 considers that, throughout the year ended 31 March 2013, the Group has substantially complied with the principles set out in the UK Corporate Governance Code (June 2010) as appropriate to the size and nature of the Group.

By order of the Board

Andrew Davison LLB
Company Secretary

14 June 2013

Directors' remuneration report

Introduction and compliance

Although not required by the AIM 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. A resolution inviting shareholders to approve the report will be put to the Annual General Meeting ("AGM") on Friday 26 July 2013.

Remuneration Committee

The Remuneration Committee has been established by the Board and 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 B Wittek since 1 April 2010
Dr A F Martin since 1 July 2012
Dr P O Dahlen from 11 December 2009 to 30 June 2012, when appointed as CEO

The Remuneration Committee provides a strong and independent perspective on remuneration across the Group. Our long-term philosophy for remuneration remains to attract and retain high-calibre leaders who are focused and encouraged to deliver business priorities within the framework which is aligned to the strategy of the Company. Overall, the philosophy seeks to set compensation based on benchmarking against comparable businesses and industries. In doing so, we are well aware of the dangers of "ratcheting upwards" the level of compensation.

The Remuneration Committee determines and recommends to the Board the remuneration of new and existing Executive Directors and the Company leadership team, and grants and approves 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.

The Company has entered into a 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 2013 are:

Non-executive Director	Date of letter of appointment	Expiry date
Dr A F Martin	8 September 2011	7 September 2014
Dr E D Blair	1 October 2012	30 September 2015
Dr B Wittek	20 October 2012	19 October 2015
Mr R Sackers	1 June 2011	31 May 2014
Dr P O Dahlen (became Chief Executive Officer on 1 July 2012)	11 December 2009	30 June 2012

The aggregate amount of fees paid to Non-executive Directors during the year ended 31 March 2013 was £186,000 (2012: £186,000).

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. 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 to a defined contribution pension scheme.

Performance-related rewards

- The Company operates an annual bonus plan. 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 the long-term aspect of compensation should be addressed by the Share Option Plan (SOP).
- The bonus plan is structured as a capped arrangement with the maximum payout ("the cap") defined as a percentage of the individual´s base salary. The cap is set at 60% of base salary for the CEO and at up to 40% of base salary for the other Executive Directors.
- The Remuneration Committee attempts to set stretch targets for Directors and first-level managers. We define a stretch target as performance which is clearly above average internally and above the level of internal performance implied by competitors.
- Circa 70% of the maximum bonus for Executive Directors is linked to corporate performance metrics and the balance to individual performance metrics. Management is based upon 50% corporate performance and the remainder 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, to be quantified whenever possible.
- Full payout for financial corporate targets is achieved when the numerical targets have been achieved. Full payout for personal targets is achieved when the targets are clearly met.
- The Remuneration Committee reserves the right to exercise discretion in case targets have not been clearly met or missed by a small percentage in two cases: major external events which could not have been foreseen (e.g. longer sick leave) or overachievement in other goals.
- Actual bonus payments for 2012/13 were made in a range of 50%-100% of the cap. Payouts of 100% were limited for Directors and first-level managers who had not completed their first full year.

Long-term incentives

The Group currently operates one long-term incentive plan offering share options based on tiered percentages of salary, the SOP. This 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 that 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.

Directors' remuneration report

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 x 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) Up to 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 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.

Awards may not be granted under the SOP more than 10 years after shareholder approval of the Plan was obtained. 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.

Awards may be granted within 42 days following the date of the Company's announcement of its financial results for any reporting period and 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 SOP. 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 that 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 set out below. 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.

Performance conditions

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.

Fair value and share-based payment expense

Full details of the valuation of share options is given in Note 37 to the financial statements.

Directors' remuneration

The remuneration in respect of qualifying services of each person who served as a Director during the financial year ended 31 March 2013 is shown below. No Director took part in discussions or decisions relating to his or her own remuneration.

	2013 Remuneration					Pension	
	Salary £000	Bonus £000	Benefits £000	Total £000	2012 £000	2013 £000	2012 £000
Executive Directors' (salary)							
Dr P O Dahlen [1] [5]	187	90	4	281	–	19	–
Mr C H F Yates [2]	13	6	1	20	–	–	–
Dr M L Garrity	170	34	18	222	160	17	14
Mr A Rousseau	161	36	2	199	186	–	–
Mr P Hailes	–	–	–	–	166	–	14
Mr C I Cookson [3]	99	–	7	106	206	5	19
Dr R T Duggan	60	–	10	70	149	6	13
Mr G T Murray [4]	114	17	6	137	–	11	–
Mr A Wilks	–	–	–	–	88	–	–
Sub-total	804	183	48	1,035	955	58	60
Non-executive Directors' (fees)							
Dr A F Martin	76	–	–	76	43	–	–
Dr E D Blair	32	–	–	32	30	–	–
Dr B Wittek	30	–	–	30	30	–	–
Dr P O Dahlen [1]	8	–	–	8	30	–	–
Mr R Sackers	40	–	–	40	33	–	–
Mr D E Evans	–	–	–	–	20	–	–
Sub-total	186	–	–	186	186	–	–
Total	990	183	48	1,221	1,141	58	60

Notes:

(1) Dr Dahlen was appointed CEO on 1 July 2012

(2) Mr Yates was appointed on 4 March 2013

(3) Mr Cookson also received £96,000 as compensation for loss of office

(4) Mr Murray was appointed on 1 April 2012 and resigned on 30 November 2012

(5) £22,500 of Dr Dahlen's potential 2013 bonus has been deferred to 2014 and is subject to achieving a future objective

Directors' remuneration report

Share awards and options granted to Directors

Details of share options held by Directors during the financial year ended 31 March 2013 are set out in the table below:

Director	At 01.04.12	Granted in year	Forfeited in year	At 31.03.13	Exercise price (p)	Grant date	Earliest exercise date	Expiry date
Dr P O Dahlen	–	163,773	–	**163,773**	305.3	30.11.12	30.11.15	30.11.22
Dr M L Garrity	67,623	–	–	**67,623**	236.5	23.06.09	21.06.13	22.06.19
	132,377	–	–	**132,377**(1)	241.5	03.09.07	03.09.10	03.09.17
	20,000	–	–	**20,000**	852.5	03.02.11	03.02.14	03.02.21
	–	44,546	–	**44,546**	305.3	30.11.12	30.11.15	30.11.22
Mr A Rousseau	66,554	–	–	**66,554**	236.5	23.06.09	21.06.13	22.06.19
	133,446	–	–	**133,446**	189.5	25.03.08	25.03.11	25.03.18
	–	44,546	–	**44,546**	305.3	30.11.12	30.11.15	30.11.22
Mr P Hailes	66,383	–	66,383	**–**	–	–	–	–
Mr C I Cookson	66,383	–	–	**66,383**	236.5	23.06.09	21.06.13	22.06.13
	333,617	–	–	**333,617**(2)	189.5	25.03.08	25.03.11	25.03.18
	20,000	–	20,000	**–**	–	–	–	–
Dr R T Duggan	66,383	–	66,383	**–**	–	–	–	–

No options were exercised in the year.

Except as noted in (1) and (2) below, all share options were granted under the Unapproved Share Option Scheme

(1) 41,407 and (2) 52,770 of these options were granted under the Enterprise Management Initiative Scheme

By order of the Board

Dr E D Blair
Chair, Remuneration Committee

14 June 2013

Directors' responsibilities

Statement of Directors' responsibilities in relation to the Group financial statements and Annual report

The Directors are responsible for preparing the Annual report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under IFRSs as adopted by the European Union.

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group financial statements the Directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- Select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements that are reasonable;
- Provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- State whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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 Company's website.

Legislation in the UK 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 financial statements of Immunodiagnostic System Holdings PLC for the year ended 31 March 2013 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related Notes 1 to 40. 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 explained more fully 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 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.

Mark Harvey (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

14 June 2013

Notes:
1. The maintenance and integrity of the Immunodiagnostic Systems Holdings PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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

Consolidated income statement

for the year ended 31 March 2013

	Notes	2013 £000	2013 £000	2012 £000	2012 £000
Revenue	2		**49,772**		53,670
Cost of sales			**(13,401)**		(13,574)
Gross profit			**36,371**		40,096
Distribution costs			**(8,143)**		(8,400)
Administrative expenses					
Exceptional items					
Impairment of other receivable		**1,505**		(2,795)	
Restructuring costs		**–**		(1,297)	
Retirement of development costs		**(794)**		(481)	
Impairment of development costs		**(465)**		(604)	
Other administrative expenses		**(18,461)**		(19,002)	
			(18,215)		(24,179)
Profit from operations	4		**10,013**		7,517
Finance income	7		**67**		241
			10,080		7,758
Finance costs	8		**(43)**		(508)
Profit before tax			**10,037**		7,250
Income tax expense	9		**(2,238)**		(2,512)
Profit for the year attributable to owners of the parent			**7,799**		4,738
Earnings per share					
From continuing operations					
Adjusted basic	11		**27.2p**		29.2p
Basic	11		**27.5p**		16.7p
Diluted	11		**27.2p**		16.2p

Consolidated statement of comprehensive income

for the year ended 31 March 2013

	2013 £000	2012 £000
Profit for the year	**7,799**	4,738
Currency translation differences	**689**	(2,842)
Other comprehensive income, before tax	**689**	(2,842)
Income tax relating to items credited to equity	**(145)**	(54)
Other comprehensive income, net of tax	**544**	(2,896)
Total comprehensive income for the year attributable to owners of the parent	**8,343**	1,842

Consolidated balance sheet

31 March 2013

Company Registration No. 05146193

	Notes	2013 £000	2012 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**9,977**	9,542
Goodwill	14	**16,346**	16,809
Other intangible assets	15	**33,864**	36,826
Investments	17	**–**	4
Deferred tax assets	26	**2,776**	1,829
Other non-current assets	18	**294**	234
		63,257	65,244
Current assets			
Inventories	19	**5,879**	7,462
Trade and other receivables	20	**9,321**	7,706
Income tax assets		**1,146**	1,190
Cash and cash equivalents	20	**19,565**	11,031
		35,911	27,389
Total assets		**99,168**	92,633
Liabilities			
Current liabilities			
Short-term portion of long-term borrowings	21	**–**	4,162
Trade and other payables	24	**8,787**	6,819
Income tax liabilities		**425**	792
Provisions	27	**150**	981
Deferred income	28	**1,525**	95
		10,887	12,849
Net current assets		**25,024**	14,540
Non-current liabilities			
Repayable grants		**1,564**	1,314
Provisions	27	**859**	760
Deferred tax liabilities	26	**6,065**	5,365
		8,488	7,439
Total liabilities		**19,375**	20,288
Net assets		**79,793**	72,345
Total equity			
Called up share capital	31	**567**	567
Share premium account	32	**30,041**	30,041
Other reserves	33	**7,398**	6,970
Retained earnings	34	**41,787**	34,767
Equity attributable to owners of the parent		**79,793**	72,345

The financial statements on pages 39 to 73 were approved by the Board of Directors and authorised for issue on 14 June 2013 and are signed on its behalf by:

Dr A F Martin
Non-executive Chairman

Mr C H F Yates
Group Finance Director

Consolidated statement of cash flows

for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Operating activities			
Cash generated from operations	35	**21,361**	18,596
Income taxes paid		**(3,005)**	(4,320)
Net cash from operating activities		**18,356**	14,276
Investing activities			
Asset acquisition	27	**(105)**	(593)
Purchases of other intangible assets		**(2,256)**	(2,485)
Purchases of property, plant and equipment		**(2,652)**	(3,753)
Interest received		**67**	241
Interest paid		**(43)**	(508)
Net cash used by investing activities		**(4,989)**	(7,098)
Financing activities			
Proceeds from issue of shares for cash		**–**	696
Grants received		**–**	1
Repayments of borrowings		**(4,152)**	(2,027)
Repayments of hire purchase obligations		**(10)**	(26)
Dividends paid		**(779)**	(708)
Net cash used by financing activities		**(4,941)**	(2,064)
Effect of exchange rate differences		**108**	(447)
Net increase in cash and cash equivalents		**8,534**	4,667
Cash and cash equivalents at beginning of year		**11,031**	6,364
Cash and cash equivalents at end of year		**19,565**	11,031

Consolidated statement of changes in equity

for the year ended 31 March 2013

	Called up share capital £000	Share premium account £000	Merger reserve £000	Share-based payments reserve £000
At 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)
Share-based payments	–	–	–	214
Transfer on exercise of share options	–	–	–	(215)
Dividends paid	–	–	–	–
Shares issued in the period (net of expenses)	8	688	–	–
At 31 March/1 April 2012	567	30,041	583	966
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	–	–	–	(26)
Share-based payments	–	–	–	(90)
Dividends paid	–	–	–	–
At 31 March 2013	**567**	**30,041**	**583**	**850**

Consolidated statement of changes in equity

for the year ended 31 March 2013

	Currency translation reserve £000	Retained earnings £000	Total £000
At 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)
Share-based payments	–	–	214
Transfer on exercise of share options	–	215	–
Dividends paid	–	(708)	(708)
Shares issued in the period (net of expenses)	–	–	696
At 31 March/1 April 2012	5,421	34,767	72,345
Profit for the year	–	7,799	7,799
Other comprehensive income			
Foreign exchange translation differences on foreign currency net investment in subsidiaries	689	–	689
Tax effect of treatment of foreign currency translation differences	(145)	–	(145)
Total comprehensive income	544	7,799	8,343
Transactions with owners			
Deferred tax recognised on share-based payments	–	–	(26)
Share-based payments	–	–	(90)
Dividends paid	–	(779)	(779)
At 31 March 2013	**5,965**	**41,787**	**79,793**

Notes to the consolidated financial statements

for the year ended 31 March 2013

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.

Immunodiagnostic Systems Holdings PLC is a public listed company incorporated, domiciled and has its registered office in England. The Company's ordinary shares are traded on AIM.

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 those assets and liabilities acquired based on the relative fair values of those assets and liabilities; 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 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.

Notes to the consolidated financial statements

for the year ended 31 March 2013

1 Accounting policies continued

d) Foreign currencies continued

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 expense 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.

Revenue from the provision of the IDS-iSYS instrument and associated reagent sales is recognised according to the classification of the rental agreement as either a finance lease or an operating lease by reference to the determining factors set out in IFRIC 4. Currently, the reagent revenue generated from the placement of IDS-iSYS instruments is recognised as operating leases and as such the Group has adopted IAS 17 when determining the relevant proportions of automated assay revenues and operating lease rental payments.

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 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 geographic segments. 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.

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.

1 Accounting policies continued

h) Other intangible assets continued

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. Development costs related to the IDS-iSYS, including expenditure incurred on the automation of assay products for the system, are being amortised over 10 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 that 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 2013, the annual reassessment of useful lives resulted in an extra amortisation charge for the year of £nil (2012: £1,070,000).

i) Property, plant and equipment

Land and buildings acquired 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.

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 in 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

Notes to the consolidated financial statements

for the year ended 31 March 2013

1 Accounting policies continued

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

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 (or 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

k) Lease commitments

Assets held under finance lease agreements are capitalised in the balance sheet at the fair value of the assets (or the present value of the minimum lease payments, if lower) 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.

Where the Group is a lessor of operating leases, the IDS-iSYS instrument is capitalised in property, plant and equipment and depreciated over the estimated useful life of the asset.

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.

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 included at lower of invoiced value and recoverable amount. A provision for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due.

Cash and cash equivalents

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

1 Accounting policies continued

n) Financial instruments continued
Financial assets continued
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, are recognised in profit or loss over the term of the instrument using an effective rate of interest.

Trade payables
Trade payables are included at the gross liability, including any relevant value added tax.

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 may use 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 that 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
Where the Group has a loan to finance an acquisition it may be designated 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.

Notes to the consolidated financial statements

for the year ended 31 March 2013

1 Accounting policies continued

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 on a straight-line basis. 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 present commitment obligations at the balance sheet date arising from a past event and where the extent of the commitment can be estimated reliably and it is probable that an outflow of resources will be required to settle the obligations.

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. Unexpired equity-settled awards are treated as forfeitures when an individual's employment is terminated and the cost previously recognised in the income statement for these awards is credited back to the income statement.

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.

1 Accounting policies continued

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 described below.

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 treated as development expenditure so relevant costs are capitalised and amortised 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.

Impairment

The Group assesses at each reporting date whether there is an indication that the value of an asset may be impaired. If any such indication of impairment exists the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of its fair value less costs to sell or its value in use. Value in use is calculated by discounting the estimated future cash flows to their present value using a pre-tax discount rate. Where the carrying value of the asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

IDS recognises impairment costs in two ways. If a project is abandoned during the development stage, the total accumulated expenditure previously capitalised is written off in the income statement as an impairment charge. If a previously capitalised project has been launched and has had a "value in use" for the period since launch but the technology has subsequently been superseded by new development projects then these costs will be retired. Typically, impairment costs classified as retired costs will be in relation to the ongoing development of the Group's IDS-iSYS instrument.

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 described below.

Useful lives – tangibles and intangibles

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 tangible 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.

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 that may have a material effect on the fair value calculated.

Operating leases

Revenue from the provision of the IDS-iSYS instrument (as allocated from subsequent reagent sales) is recognised according to the classification of the IDS-iSYS rental agreement as either an operating or finance lease. The Group considers the arrangements between IDS and customers on a case by case basis and currently all contracts are classified as operating leases. An operating lease is a contract where substantially all of the risks and rewards incidental to the ownership of the asset have not been transferred to the customers. This classification is determined by management by reviewing a number of determining factors contained within IAS 17. Contracts are reviewed periodically to ensure that the classification of individual contracts as operating or finance leases is appropriate.

Notes to the consolidated financial statements

for the year ended 31 March 2013

1 Accounting policies continued

t) Key sources of estimation uncertainty continued

Recoverability of deferred tax assets

The Group has gross unused tax losses. These losses are recognised under IAS 12 as deferred tax assets. The Group makes judgements as to the likelihood of these losses being recoverable and changes in these assumptions could have a material impact on the Group's reported tax charge.

Research and development

Costs relating to assay and instrument development are capitalised once all the development phase recognition criteria of IAS 38 Intangible Assets are met, including the technical feasibility and commercial viability of the project. When the product is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the product. Management judgement is involved in determining the appropriate internal costs to capitalise and when the IAS 38 criteria have been met. In addition, the useful life is determined by management and is regularly reviewed for appropriateness.

u) Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

v) 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 2015)
IFRS 10 Consolidated Financial Statements (effective for accounting periods commencing on or after 1 January 2014)
IFRS 11 Joint Arrangements (effective for accounting periods commencing on or after 1 January 2014)
IFRS 12 Disclosures of Interests in Other Entities (effective for accounting periods commencing on or after 1 January 2014)
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 2014)
IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods commencing on or after 1 January 2014)
Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (effective for accounting periods commencing on or after 1 January 2013)
Amendments to IAS 19 Employee Benefits (effective for accounting periods commencing on or after 1 January 2013)
Amendment to IFRS 1 Government Loans (effective for accounting periods commencing on or after 1 January 2013)
Amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities (effective for accounting periods commencing on or after 1 January 2014)
Amendment to IAS 1 Presentation of Other Items of Comprehensive Income (effective for accounting periods commencing on or after 1 July 2012).
Annual Improvements to IFRSs issued in May 2012 (various effective dates).

2 Revenue

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

	2013 £000	2012 £000
Automated revenue (IDS-iSYS)		
25OH vitamin D	**11,399**	11,172
Other Specialty	**3,823**	1,633
Operating lease rental	**3,266**	2,140
Total automated	**18,488**	14,945
Manual revenue		
25OH vitamin D	**12,133**	19,421
Other Specialty	**13,213**	14,403
Total manual	**25,346**	33,824
Instrument revenue	**2,866**	2,781
Other income	**3,072**	2,120
	49,772	53,670
Finance income	**67**	241

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

3 Segmental information

For management purposes, the Group is currently organised into three operating regions: direct sales operations in the United States and Europe (excluding Spain, Italy and Portugal) and distributor sales operations in the Rest of 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 2013	USA £000	Europe £000	ROW £000	Eliminations £000	Consolidated £000
Revenue					
External sales	**18,741**	**21,376**	**9,655**	**–**	**49,772**
Inter-segment sales	**–**	**9,707**	**–**	**(9,707)**	**–**
Total revenue	**18,741**	**31,083**	**9,655**	**(9,707)**	**49,772**
Result					
Segment result	**2,789**	**16,992**	**2,755**	**–**	**22,536**
Central administration costs					**(12,523)**
Profit from operations					**10,013**
Finance income					**67**
Finance costs					**(43)**
Profit before tax					**10,037**
Income tax expense					**(2,238)**
Profit after tax					**7,799**

Notes to the consolidated financial statements

for the year ended 31 March 2013

3 Segmental information continued

Year ended 31 March 2012	USA £000	Europe £000	ROW £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

4 Profit from operations

Profit from operations is stated after charging (crediting):

	2013 £000	2012 £000
Amortisation of government grants re fixed assets	**(16)**	(22)
Amortisation of other intangible assets	**4,079**	3,322
Impairment of other intangible assets	**384**	604
Loss on disposal of other intangible assets	**453**	481
Depreciation of owned plant, property and equipment	**2,403**	2,138
Depreciation of assets held under hire purchase agreements	**12**	24
Operating lease costs	**727**	549
Share-based payments	**(90)**	214
Other staff costs	**16,250**	16,875
Cost of inventories recognised as an expense	**6,593**	6,673
Write downs of inventories recognised as an expense	**1,538**	1,073
Net loss on foreign currency translation of trading items	**(17)**	381
(Gain) on foreign currency translation of contingent consideration	**(6)**	(38)
Research and development	**2,421**	1,898
Auditor's remuneration (see below)	**147**	120

Amounts payable to Ernst & Young LLP (2012: Baker Tilly UK Audit LLP and their associates) in respect of both audit and non-audit services:

	2013 £000	2012 £000
Audit services		
– statutory audit of parent and consolidated accounts	**138**	75
Other services relating to taxation		
– compliance services	**9**	13
Work performed by associates of Baker Tilly in respect of consolidation returns or local legislative requirements	**–**	32
	147	120

5 Particulars of employees

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

	2013 No.	2012 No.
Number of production staff	**122**	129
Number of sales and marketing staff	**86**	93
Number of research and development staff	**51**	48
Number of administrative staff	**48**	54
	307	324

The aggregate payroll cost of the above was:

	2013 £000	2012 £000
Wages and salaries	**12,849**	11,585
Social security costs	**3,067**	3,435
Other pension costs	**334**	558
Share-based payments	**(90)**	214
Restructuring costs	**–**	1,297
	16,160	17,089

For the year ended 31 March 2013, of staff costs, £3,896,000 (2012: £4,283,000) has been included in cost of sales, £5,307,000 (2012: £5,124,000) in distribution costs and £6,957,000 (2012: £7,682,000) in administrative expenses.

6 Directors' emoluments

	2013 £000	2012 £000
Emoluments receivable	**1,221**	1,141
Value of Company pension contributions to money purchase schemes	**58**	60
	1,279	1,201

	2013 No.	2012 No.
Money purchase schemes	**5**	4

Details of individual Director's emoluments are shown in the Directors' remuneration report on page 35.

7 Finance income

	2013 £000	2012 £000
Bank interest receivable	**54**	5
Interest receivable on disposal of business	**–**	202
Exchange gain on foreign currency borrowings	**13**	34
	67	241

Notes to the consolidated financial statements

for the year ended 31 March 2013

8 Finance costs

	2013 £000	2012 £000
Interest payable on bank borrowing	**41**	364
Finance charges	**–**	–
Other similar charges payable	**2**	144
	43	508

9 Taxation on ordinary activities

a) Analysis of charge in the year

	2013 £000	2012 £000
Current tax:		
UK corporation tax based on the results for the year at 24% (2012: 26%)	**2,359**	2,304
(Over) under provision in prior year	**(28)**	110
Foreign tax on income	**127**	678
Total current tax	**2,458**	3,092
Deferred tax:		
Capital allowances	**(1,033)**	(815)
Other	**(413)**	(32)
Tax losses carried forward	**958**	223
Deferred tax on share-based payments charge	**83**	44
Under provision in prior year	**185**	–
Total deferred tax (note 26)	**(220)**	(580)
Tax on profit on ordinary activities	**2,238**	2,512

In addition, total current and deferred tax of £171,000 (2012: £2,253,000) 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 lower (2012: higher) than the standard rate of corporation tax in the UK (24%; 2012: 26%). The differences are explained below.

	2013 £000	2012 £000
Profit on ordinary activities before taxation	**10,037**	7,250
Profit on ordinary activities by rate of tax in the UK of 24% (2012: 26%)	**2,409**	1,885
Expenses not deductible for tax purposes	**202**	369
Additional relief for R & D expenditure	**(984)**	(1,371)
Foreign profits taxable at different rates	**(37)**	(326)
Losses carried forward	**472**	1,500
Losses brought forward utilised	**(64)**	–
Relief for employee share award	**73**	–
Effect of change in tax rate on deferred tax balances	**107**	153
Exchange differences as deferred tax	**68**	–
Tax in respect of prior periods	**(8)**	302
Total tax charge at an effective rate of 22.2% (2012: 34.6%)	**2,238**	2,512

A reduction in the UK corporation tax rate to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. This will reduce the Group's future current tax charge accordingly and this rate has been applied to determine the value of any UK deferred tax assets or liabilities at the year end.

The March 2013 Budget announced that the UK corporation tax rate will reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 announced in the December 2012 Autumn Statement. The effect of the rate change to 20%, if it had been enacted at the balance sheet date, would have been to reduce the net deferred tax liability by £168,000 in these financial statements.

10 Dividends

On 28 September 2012, a dividend of 2.75p (2012: 2.75p) per share was paid to shareholders. In respect of the current year, the Directors propose that a dividend of 3.0p per share will be paid to the shareholders on 23 August 2013. 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 2013 is payable to all shareholders on the Register of Members on 26 July 2013. The total estimated dividend is £850,000.

11 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 dilutive potential Ordinary shares relating to contingently issuable shares under the Group's share option scheme. At 31 March 2013, 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.

	2013 £000	2012 £000
Profit on ordinary activities after tax	**7,799**	4,738
Weighted average number of shares:	No.	No.
For basic earnings per share	**28,336,915**	28,320,248
Effect of dilutive potential Ordinary shares:		
– Share options	**315,637**	977,696
For diluted earnings per share	**28,652,552**	29,297,944
Adjusted basic earnings per share	**27.2p**	29.2p
Adjusted diluted earnings per share	**26.9p**	28.2p
Basic earnings per share	**27.5p**	16.7p
Diluted earnings per share	**27.2p**	16.2p

Notes to the consolidated financial statements

for the year ended 31 March 2013

12 Financial instruments recognised in the balance sheet

Year ended 31 March 2013	Loans and receivables £000
Non-current financial assets	
Financial asset investments	294
Current financial assets	
Trade and other receivables	7,602
Cash and cash equivalents	19,565
	27,167
Total	27,461

	Other financial liabilities £000
Current financial liabilities	
Trade and other payables	7,244
Non-current financial liabilities	
Repayable grants	1,564
Total	8,808

The repayable grant of £1,564,000 relates to Walloon Government Grants.

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			
Repayable grants	–	1,314	1,314
	–	1,314	1,314
Total	18	11,888	11,906

13 Property, plant and equipment

	Leasehold property and freehold buildings £000	Fixtures, fittings and equipment £000	IDS-iSYS instruments £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2011 (as previously reported)	1,855	9,784	–	22	11,661
Prior year adjustment	(109)	627	–	–	518
At 1 April 2011 (restated)	1,746	10,411	–	22	12,179
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	2,468	5,444	7,404	13	15,329
Exchange differences	21	57	257	–	335
Reclassifications	19	(39)	75	–	55
Additions	12	625	2,605	–	3,242
Disposals	(3)	(67)	(740)	(4)	(814)
At 31 March 2013	**2,517**	**6,020**	**9,601**	**9**	**18,147**
Depreciation					
At 1 April 2011 (as previously reported)	858	2,512	–	16	3,386
Prior year adjustment	(120)	638	–	–	518
At 1 April 2011 (restated)	738	3,150	–	16	3,904
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	1,160	2,800	1,818	9	5,787
Exchange differences	16	35	73	–	124
On reclassifications	22	8	25	–	55
Charge for the year	540	734	1,139	2	2,415
On disposals	(3)	(52)	(152)	(4)	(211)
At 31 March 2013	**1,735**	**3,525**	**2,903**	**7**	**8,170**
Net book value					
At 31 March 2013	**782**	**2,495**	**6,698**	**2**	**9,977**
At 31 March 2012	1,308	2,644	5,586	4	9,542
At 1 April 2011	1,008	7,261	–	6	8,275

Finance lease agreements

Included within the net book value of fixtures, fittings and equipment of £2,495,000 (2012: £2,644,000) is £nil (2012: £30,000) relating to assets held under hire purchase agreements. The depreciation charged in the year in respect of such assets amounted to £12,000 (2012: £24,000).

Restatement

Cost and depreciation have been restated to correct the gross elements. The overall net book value is unaffected.

Notes to the consolidated financial statements

for the year ended 31 March 2013

14 Goodwill

	£000
Cost	
At 1 April 2011	18,660
Exchange differences	(871)
Reassessment of earn-out liability	(13)
At 31 March 2012	17,776
Exchange differences	16
Reassessment of earn-out liability	(479)
At 31 March 2013	**17,313**
Amortisation	
At 1 April 2011	967
Charge for the year	–
At 31 March 2012	967
Charge for the year	–
At 31 March 2013	**967**
Net book value	
At 31 March 2013	**16,346**
At 31 March 2012	16,809
At 1 April 2011	17,693

In recent years, management have been evolving the business to centralise operations to access new markets using new technology. Operations are now such that consistent products are sold across all markets rather than certain products being location specific. As a consequence management now only monitors goodwill on a geographic basis at the operating segment level.

The goodwill previously allocated to product-based CGUs has been reallocated to the new geographic CGUs and the carrying amount of goodwill allocated to each CGU is set out below.

	2013 £000	2012 £000
USA	**7,029**	7,228
Europe – direct sales	**5,394**	5,547
Rest of World	**3,923**	4,034
	16,346	16,809

The Group performed its annual impairment tests as at 31 January 2013. The recoverable amount of each CGU is determined on a value in use basis using cash flow projections based on financial budgets for the proceeding financial year, and estimates for subsequent years based on key assumptions.

Key assumptions used in the value in use calculations

The value in use calculations are based on the following primary assumptions:

- Specific forecasts for the current financial year
- For years 2-6:
  - Revenue growth rates of 1% per annum for each of the CGUs
  - Gross margins of 77% for Europe and USA, and 55% for ROW (to reflect the mix of third-party distribution business within the ROW CGU)
  - Overhead cost growth rates of 1%-3% for each of the CGUs
- For years 7-10 a terminal value is applied at zero growth
- The discount rate applied for all CGUs is a central rate of 10.5% (2012: 6.4%)

Sensitivity to changes in assumptions

- Management recognises that future revenues are uncertain and could be affected by competitor actions resulting in a loss of market share, or by regulatory actions restricting market growth rates. Annualised reductions in revenue of 9% (USA), 6% (Europe-direct sales) and 7% (ROW) would give rise to a value in use equal to the carrying amount of each respective CGU.
- Discount rates could also vary if the Group's beta factor increases or if underlying risk-free or equity return rates increase. Discount rates of 19.5% (USA), 15% (Europe-direct sales) and 14.5% (ROW) would give rise to a value in use equal to the carrying amount of each respective CGU.

14 Goodwill continued

The Directors, having performed the annual impairment and sensitivity tests, believe that revenue growth rates will be above, and discount rates below, these break-even levels and that therefore no impairment is necessary to the carrying value of goodwill in any of the three CGUs.

15 Other intangible assets

	Development costs £000	Patents, licences and product technology £000	Intangible assets in the course of construction £000	Total £000
Cost				
At 1 April 2011 (as previously reported)	20,500	25,894	–	46,394
Prior year adjustment	(24)	490	–	466
At 1 April 2011 (restated)	20,476	26,384	–	44,860
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	21,799	24,899	340	47,038
Exchange differences	110	136	–	246
Additions – externally acquired	–	221	–	221
Additions – internally generated	1,585	–	450	2,035
Impairment	(615)	–	–	(615)
Disposals (including retirements)	(1,118)	(94)	–	(1,212)
At 31 March 2013	**21,761**	**25,162**	**790**	**47,713**
Amortisation				
At 1 April 2011 (as previously reported)	2,246	3,880	–	6,126
Prior year adjustment	(24)	490	–	466
At 1 April 2011 (restated)	2,222	4,370	–	6,592
Exchange differences	(46)	(260)	–	(306)
Charge for the year	1,307	2,015	–	3,322
Impairment	604	–	–	604
At 31 March 2012	4,087	6,125	–	10,212
Exchange differences	51	21	–	72
Charge for the year	2,402	1,677	–	4,079
Impairment	(231)	–	–	(231)
Disposals (including retirements)	(193)	(90)	–	(283)
At 31 March 2013	**6,116**	**7,733**	**–**	**13,849**
Net book value				
At 31 March 2013	**15,645**	**17,429**	**790**	**33,864**
At 31 March 2012	17,712	18,774	340	36,826
At 1 April 2011	18,254	22,014	–	40,268

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

Restatement

Cost and amortisation have been restated to correct the gross elements. Net book values are unaffected.

Notes to the consolidated financial statements

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16 Subsidiary undertakings

The principal subsidiaries of Immunodiagnostic Systems Holdings PLC are as follows:

Name of subsidiary undertaking
Immunodiagnostic Systems Limited
Immunodiagnostic Systems Inc
Immunodiagnostic Systems Deutschland GmbH
Suomen Bioanalytiikka Oy (SBA Sciences Ltd)
Immunodiagnostic Systems Nordic A/S
Immunodiagnostic Systems SA
ImmunoDiagnostic Systems France SAS
MGP Diagnostics AS

17 Investments

	2013 £000	2012 £000
At 1 April	**4**	4
Impairment	**(4)**	–
31 March	**–**	4

The subsidiary Immunodiagnostic Systems Limited owns the following shares of the companies listed, all of which are incorporated in England:

Perinatal Diagnostics Limited	41%
Pyrronostics Limited	33%
PalindromX Limited	18.75%

These companies are immaterial and are therefore accounted for as investments, and are all fully impaired at 31 March 2013.

18 Other non-current assets

Other loans and receivables	2013 £000	2012 £000
At 1 April	**234**	237
Additions	**60**	14
Repaid	**(3)**	(4)
Exchange differences	**3**	(13)
At 31 March	**294**	234

19 Inventories

	2013 £000	2012 £000
Raw materials	**2,686**	4,193
Work in progress	**1,321**	1,192
Finished goods	**1,872**	2,077
	5,879	7,462

Inventories are stated after charging net provisions of £1,545,000 (2012: 778,000) for impairment of inventories held by subsidiary undertakings.

20 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:

	2013 £000	2012 £000
Trade receivables	**7,481**	6,539
VAT recoverable	**74**	105
Other receivables	**253**	3,293
Prepayments and accrued income	**1,645**	702
	9,453	10,639
Allowance accounts for trade receivables	**(132)**	(138)
Allowance accounts for other receivables	**–**	(2,795)
	9,321	7,706

The average credit period taken on sale of goods is 47 days (2012: 44 days). An allowance has been made for estimated irrecoverable amounts from sale of goods of £132,000 (2012: £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.

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:

	2013 £000	2012 £000
Balance at 1 April	**2,933**	138
Increase in allowance for trade receivables	**4**	26
Amounts received previously provided		
Trade receivables	**(10)**	(26)
Other receivables	**(1,505)**	–
Amounts written off other receivables previously provided	**(1,290)**	–
Allowance for trade receivables	**132**	138
Allowance for other receivable	**–**	2,795
Balance at 31 March	**132**	2,933

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.

	2013 £000	2012 £000
Up to three months	**2,250**	85
Over three months	**1**	–
	2,251	85

An analysis of receivables by currency is as follows:

	2013 £000	2012 £000
Sterling	**1,644**	1,583
Euros	**4,989**	3,548
US Dollars	**2,418**	2,366
Danish Kroner	**270**	209
	9,321	7,706

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

Cash and cash equivalents of £19,565,000 (2012: £11,031,000) comprise cash and short-term deposits. The carrying amount of these assets approximates to their fair value.

Notes to the consolidated financial statements

for the year ended 31 March 2013

21 Borrowings

Year ended 2013	Current £000	Non-current £000
Bank loans	–	–
Obligations under hire purchase agreements	–	–
	–	–

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

22 Bank loans

There were no bank loans outstanding at 31 March 2013.

At 31 March 2012, all bank loans were denominated in Euros.

Bank loans were arranged at floating rates, thus exposing the Group to cash flow interest rate risk, which was partially hedged by use of an interest rate swap. The weighted average period until maturity at 31 March 2012 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.

23 Obligations under hire purchase agreements

Amounts payable under hire purchase agreements:

	2013 £000	2012 £000
Within one year	–	10
In the second to fifth year inclusive	–	–
	–	10

24 Other financial liabilities

Trade and other payables are as follows:

	2013 £000	2012 £000
Trade payables	**3,615**	2,289
Other taxation and social security	**1,543**	1,564
Repayable grants	**–**	150
Other payables	**31**	47
Accruals	**3,598**	2,769
	8,787	6,819

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days (2012: 41 days).

An analysis of payables by currency is as follows:

	2013 £000	2012 £000
Sterling	**2,672**	2,251
Euros	**4,767**	3,543
US Dollars	**1,232**	886
Danish Kroner	**116**	139
	8,787	6,819

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

March 2012 Accruals has been restated to remove £1,175,000, which is now included in provisions.

25 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 £334,000 (2012: £293,000). 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 2013 is £359,000 (2012: £260,000) and has been recognised in full in these financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2013

26 Deferred taxation

	2013 £000	2012 £000
The movement in the deferred taxation provision during the year was:		
Provision brought forward	**3,536**	2,011
Income statement movement arising during the year	**(220)**	(580)
	3,316	1,431
Deferred tax recognised on employee share options in excess of charge to the income statement charged directly to equity	**(27)**	2,199
Effect of exchange rate movements	**–**	(94)
Provision carried forward	**3,289**	3,536

The provision is split as follows in the balance sheet:

	2013 £000	2012 £000
Deferred tax assets	**2,776**	1,829
Deferred tax liabilities	**(6,065)**	(5,365)
	(3,289)	(3,536)
The elements of deferred taxation are as follows:		
Excess of taxation allowances over depreciation on fixed assets	**7,623**	8,659
Other timing differences	**(938)**	(867)
Tax losses carried forward	**(3,396)**	(4,256)
	3,289	3,536

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 £2,039,000 (2012: £1,500,000). 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 2013 to be recoverable in full.

27 Provisions

	Earn-out liability £000	Retirement provision £000	Warranty provision £000	Dilapidation provision £000	Total £000
At 1 April 2011	1,160	–	319	–	1,479
Payments made in the year	(593)	–	–	–	(593)
Reassessment of liability					–
Change in assumptions	(13)	–	–	–	(13)
Foreign exchange gain	(38)	–	17	–	(21)
Unwinding of discount	50	–	–	–	50
Increase in period	–	260	79	500	839
At 31 March 2012	566	260	415	500	1,741
Payments made in the year	(105)	–	–	–	(105)
Reassessment of liability					
Change in assumptions	(479)	–	–	–	(479)
Foreign exchange gain	(6)	(3)	(4)	–	(13)
Unwinding of discount	24	–	–	–	24
Movement in period	–	102	(261)	–	(159)
At 31 March 2013	**–**	**359**	**150**	**500**	**1,009**
At 31 March 2013					
Included in current liabilities	**–**	**–**	**150**	**–**	**150**
Included in non-current liabilities	**–**	**359**	**–**	**500**	**859**
	–	**359**	**150**	**500**	**1,009**

The earn-out liability related 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. This acquisition was completed prior to the revision of IFRS 3.

27 Provisions continued

The retirement provision is described in Note 25.

The warranty provision relates to warranties given for the first year of operation of IDS-iSYS systems.

The dilapidations provision relates to buildings at Boldon.

31 March 2012 provisions has been restated to include £1,175,000 previously included in accruals.

28 Deferred income

	2013 £000	2012 £000
Government grants	80	95
Licence income	1,445	–
	1,525	95

Government grants	2013 £000	2012 £000
Received and receivable:		
At 1 April	879	922
Received in the year	–	1
Exchange differences	(2)	(44)
At 31 March	877	879
Amortisation:		
At 1 April	784	801
Credit to income statement	16	22
Exchange differences	(3)	(39)
At 31 March	797	784
Net balance at 31 March	80	95

Licence income	2013 £000	2012 £000
Received and receivable:		
At 1 April	–	–
Received in the year	1,715	–
Exchange differences	(29)	–
At 31 March	1,686	–
Released to income statement:		
At 1 April	–	–
Credit to income statement	246	–
Exchange differences	(5)	–
At 31 March	241	–
Net balance at 31 March	1,445	–

29 Commitments under operating leases

At 31 March 2013, the Group had commitments under non-cancellable operating leases as set out below.

	2013		2012	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Amounts payable:				
Within 1 year	281	305	309	316
Within 2 to 5 years	259	271	380	255
	540	576	689	571

Notes to the consolidated financial statements

for the year ended 31 March 2013

30 Related party transactions

Trading transactions

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

	2013 £000	2012 £000
Purchases of goods in year	–	–
Amounts owed by related parties at year end	–	65

As explained in Note 17, equity accounting is not used for the associates as they are not considered to be material to the Group as a whole.

Royalties of £48,000 (2012: £43,000) were paid to a Director, Mr A Rousseau. Mr A Rousseau is also due a payment of €600,000 (£506,000; 2012: £nil) as co-owner of the intellectual property rights of the IDS-iSYS under the terms of a pre-existing agreement dated 31 March 2005 between Mr Rousseau and Biocode Hycel (acquired by IDS in 2007) arising from the licence agreement between IDS and Diagnostica Stago announced on 11 February 2013. Payments to Mr Rousseau in relation to the Diagnostica Stago agreement will only be made when funds are received by IDS. With the exception of Mr Rousseau, who is deemed a related party, the Board of IDS, having consulted with Peel Hunt LLP, considers that the terms of any payments to be made to Mr Rousseau are fair and reasonable in so far as its shareholders are concerned. Separately, amounts totalling £185,000 (2012: £141,000) were paid to Arteion SAS, a company of which Mr A Rousseau is a Director, and Diagnostica Stago a shareholder, for consultancy services. The contracts for these services were on normal commercial terms. The Company also recognised £30,000 to Forum European Smallcaps GmbH (FES), a shareholder, for the Director's fees of Dr Wittek, who is also a Director of FES. The fees are set in accordance with the Company's remuneration policies.

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 £167,000 (2012: £184,000) and the income statement credit in respect of share-based payments to Directors was £123,000 (2012: charge £148,000).

During the year no Directors exercised share options.

31 Share capital

The total premium received on the issue of shares during the year was £nil (2012: £688,000); no expenses were incurred in relation to the issue of the shares.

	2013 £000	2012 £000
Equity shares		
Authorised:		
75,000,000 (2012: 75,000,000) Ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2013 £000	2012 £000
Allotted, called up and fully paid:		
Ordinary shares of £0.02 each		
28,336,915 (2012: 27,970,023) in issue at 1 April	**567**	559
Issued on the exercise of share options:		
366,892 at 189.5p	–	8
28,336,915 (2012: 28,336,915) in issue at 31 March	**567**	567

32 Share premium

	2013 £000	2012 £000
Balance brought forward	**30,041**	29,353
Premium on shares issued during the year	**–**	688
At 31 March	**30,041**	30,041

33 Other reserves

	2013 £000	2012 £000
Merger reserve	**583**	583
Share-based payments reserve:		
Balance brought forward	**966**	3,166
Charge for the year	**(90)**	214
Deferred tax recognised in excess of charge to income statement	**(26)**	(2,199)
Transfer to retained earnings on exercise of options	**–**	(215)
At 31 March	**850**	966
Currency translation reserve		
Balance brought forward	**5,421**	8,317
Movement in the year	**544**	(2,896)
At 31 March	**5,965**	5,421
	7,398	6,970

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 37).

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.

34 Retained earnings

	2013 £000	2012 £000
Balance brought forward	**34,767**	30,522
Profit for the financial year	**7,799**	4,738
Transfer from other reserves on exercise of share options	**–**	215
Dividends paid	**(779)**	(708)
At 31 March	**41,787**	34,767

Notes to the consolidated financial statements

for the year ended 31 March 2013

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

	2013 £000	2012 £000
Profit before tax	**10,037**	7,250
Adjustments for:		
Depreciation of property, plant and equipment	**2,415**	2,162
Amortisation, impairment and retirement of intangible assets	**5,392**	4,407
Loss on disposal of property, plant and equipment	**13**	6
Share-based payment charge	**(90)**	214
Movements of deferred grants	**100**	(22)
Finance income	**(67)**	(241)
Finance costs	**43**	508
Operating cash flows before movements in working capital	**17,843**	14,284
Decrease (increase) in inventories	**1,737**	706
Decrease (increase) in receivables	**(1,524)**	3,763
Increase (decrease) in payables and provisions	**3,305**	(157)
Cash generated by operations	**21,361**	18,596

36 Capital commitments

Amounts contracted for but not provided in the financial statements £nil (2012: £nil).

37 Share-based payments

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

	Month of grant	Exercise Price	Period within which options are exercisable From	To	Number of shares for which rights are exercisable 2012	2013
Share Options Agreements	Dec 04	51.0p	22.12.07	22.12.14	8,345	**8,345**
Unapproved Scheme	Sept 07	241.5p	03.09.10	03.09.17	90,970	**90,970**
	Mar 08	189.5p	25.03.11	25.03.18	447,739	**447,739**
	Jun 09	236.5p	22.06.12	22.06.19	607,259	**407,939**
	Sept 10	872.5p	26.09.13	26.09.20	20,000	**–**
	Feb 11	852.5p	03.02.14	03.02.21	20,000	**20,000**
	Jan 12	309.5p	30.01.15	30.01.22	30,000	**30,000**
	Nov 12	305.3p	30.11.15	30.11.22	–	**320,995**
EMI Share Scheme	Dec 04	51.0p	22.12.07	22.12.14	33,361	**33,361**
	Sept 07	241.5p	03.09.10	03.09.17	41,407	**41,407**
	Mar 08	189.5p	25.03.11	25.03.18	52,770	**52,770**
	Jun 09	236.5p	22.06.12	22.06.19	42,283	**42,283**
Total					1,394,134	**1,495,809**

The market price of the shares at 31 March 2013 was 285p and the range during the year was 243p to 352.8p.

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

Enterprise Management Initiative Scheme

The Company operates a share option scheme under the Enterprise Management Initiative Scheme ("EMI"). Share options held by Directors under this scheme are shown in the Directors' remuneration report on page 36.

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.

37 Share-based payments continued

Unapproved Share Option Scheme

Share options held by Directors of the Company under the Unapproved Share Option Scheme are shown in the Directors' remuneration report on page 36.

Performance conditions in relation to the EMI scheme and the Unapproved Share Option Scheme are set out in the Directors' remuneration report on page 34.

Share-based payments

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

	2013		2012	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1 April	**1,394,134**	**232.4p**	1,731,026	223.0p
Granted during the year	**320,995**	**305.3p**	30,000	309.5p
Forfeited during the year	**219,320**	**305.3p**	–	–
Exercised during the year	**–**	**–**	366,892	189.5p
Outstanding at 31 March	**1,495,809**	**240.5p**	1,394,134	232.4p
Exercisable at 31 March	**1,124,814**	**264.5p**	674,592	191.1p

The weighted average share price at the date of exercise of the options in 2012 was 895.0p.

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

	2013 £000	2012 £000
Risk free interest rate	**1.8%**	4%
Expected volatility	**51.3%**	61.6%
Expected option life in years	**3 years**	3 years
Expected dividend yield	**1%**	3%
Weighted average share price	**312.2p**	309.5p
Weighted average exercise price	**305.3p**	309.5p
Weighted average fair value of options granted	**108.5p**	117.3p

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 £348,000 (2012: £35,190).

The options outstanding at 31 March 2012 had an exercise price between 51p and 872.5p (2012: between 51p and 872.5p), and a weighted average remaining contractual life of 6.3 years (2012: 6.4 years).

During 2013, the Group recognised total share-based payment income of £90,000 (2012: expenses of £214,000) all of which related to equity-settled share-based payment transactions. After deferred tax the credit was £68,000 (2012: charge of £158,000).

The share-based payment income/(expense) recognised in respect of Directors is as follows:

	£000
R Duggan	50
P Hailes	50
I Cookson	29
A Wilks	50
M Garrity	(28)
A Rousseau	(8)
P Dahlen	(20)
	123

Notes to the consolidated financial statements

for the year ended 31 March 2013

38 Financial risk management

The Group's financial instruments comprise 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.

Interest rate risk

The Group has no financial assets, excluding short-term receivables, other than Sterling cash deposits of £10,866,000 (2012: £3,496,000), Euro cash deposits of £5,614,000 (2012: £5,770,000), US Dollar cash deposits of £3,026,000 (2012: £1,387,000) and Danish Kroner cash deposits of £146,000 (2012: £378,000), which are part of the financing arrangements of the Group. The Group's policy on interest rate management is agreed at Board level and is reviewed on an ongoing basis. The interest rate profile of the Group's borrowings at 31 March was as follows:

Currency	2013 Total £000	2012 Total (fixed) £000
Sterling		
– Borrowings	–	–
Euro		
– Borrowings	–	4,162
	–	4,162

Liquidity risk

The Group is cash positive in its operations and is expected to remain so for the foreseeable future. The Group maintains a balance between short-term deposits and cash to enable its ongoing requirements to be met. The Group's requirements are reviewed regularly by the Board, which will consider carefully liquidity risk for any future acquisitions.

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. 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 2013 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	–	2,102	5,042	7,144

The exposures at 31 March 2012 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	–	392	965	1,357

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

	2013 £000	2012 £000
In one year or less	9,778	10,592
In more than one year but not more than five years	851	1,057
In more than five years	713	823
	11,342	12,472

38 Financial risk management continued

Borrowing facilities
The Group had no undrawn committed borrowing facilities at 31 March 2013.

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.

39 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 2013 are:

- 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 16 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.

40 Post-balance sheet events

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

Company balance sheet

for the year ended 31 March 2013

Company Registration No. 05146193

	Notes	2013 £000	2012 £000
Fixed assets			
Property, plant and equipment	2	**15**	–
Intangible assets	3	**838**	177
Investments	4	**49,188**	49,667
		50,041	49,844
Current assets			
Debtors due within one year	5	**10,005**	17,305
Cash at bank and in hand		**16,026**	68
		26,031	17,373
Creditors			
Amounts falling due within one year	6	**38,701**	34,715
Net current liabilities		**(12,670)**	(17,342)
Total assets less current liabilities		**37,371**	32,502
Provisions for liabilities			
Other provisions	8	**–**	566
		37,371	31,936
Capital and reserves			
Called up share capital	9	**567**	567
Share premium account	10	**30,041**	30,041
Other reserves	11	**843**	933
Profit and loss account	12	**5,920**	395
Shareholders' funds	13	**37,371**	31,936

The financial statements on pages 74 to 80 were approved by the Board of Directors and authorised for issue on 14 June 2013 and are signed on its behalf by:

Dr A F Martin
Non-executive Chairman

Mr C H F Yates
Group Finance Director

Notes to the Company financial statements

for the year ended 31 March 2013

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) Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment.

Depreciation is charged at varying rates calculated to write off the cost in equal annual instalments over their estimated useful lives. The principal rates are:

Fixtures, fittings and equipment – 3 to 10 years

The gain or loss arising on disposal is the difference between the disposal proceeds and the carrying value of the asset, and is recognised in profit or loss.

c) 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.

Licences are recognised at cost and amortised on a straight-line basis over the economic life inherent in the licence agreement.

d) Investments

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

e) 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.

Notes to the Company financial statements

for the year ended 31 March 2013

1 Accounting policies continued

f) 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.

g) 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. 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 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.

h) 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 Property, plant and equipment

	Fixtures, fittings and equipment £000
Cost	
At 1 April 2012	–
Additions	16
At 31 March 2013	**16**
Depreciation	
At 1 April 2012	–
Charge for the year	1
At 31 March 2013	**1**
Net book value	
At 31 March 2013	**15**
At 31 March 2012	–

3 Intangible assets

	Licences £000	Assets under construction £000	Total £000
Cost			
At 1 April 2012	53	124	177
Additions	3	666	669
At 31 March 2013	**56**	**790**	**846**
Amortisation			
At 1 April 2012	–	–	–
Charge for the year	8	–	8
At 31 March 2013	**8**	**–**	**8**
Net book value			
At 31 March 2013	**48**	**790**	**838**
At 31 March 2012	53	124	177

Notes to the Company financial statements

for the year ended 31 March 2013

4 Investments

	Investment in subsidiary undertakings £000
Cost	
At 1 April 2012	49,667
Reassessment of earn-out liability	(479)
At 31 March 2013	**49,188**
Net book value	
At 31 March 2013	**49,188**
At 1 April 2012	49,667

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.

5 Debtors

	2013 £000	2012 £000
Amounts owed by Group undertakings	**9,746**	16,948
Corporation tax receivable	**78**	41
Prepayments and accrued income	**82**	105
Deferred tax asset (see Note 7)	**99**	211
	10,005	17,305

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

6 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**107**	205
Amounts due to Group undertakings	**37,559**	34,023
Corporation tax payable	**99**	–
Accruals and deferred income	**936**	487
	38,701	34,715

7 Deferred taxation

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

	2013 £000
The movement in deferred tax during the year was:	
Asset brought forward	**211**
Profit and loss account movement arising during the year	**(112)**
Total deferred tax	**(112)**
Asset carried forward	**99**

8 Provisions

	Earn-out liability £000
At 1 April 2012	566
Payments made in the year	(105)
Reassessment of liability	
Change in assumptions	(479)
Foreign exchange gain	(6)
Unwinding of discount	24
At 31 March 2013	**–**

The earn-out liability related to a commitment to the former shareholders of Immunodiagnostic Systems SA for each IDS-iSYS instrument placed as per the Sale and Purchase Agreement.

9 Share capital

	2013 £000	2012 £000
Equity shares		
Authorised:		
75,000,000 Ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2013 £000	2012 £000
Allotted, called up and fully paid:		
28,336,915 (2012: 28,336,915) Ordinary shares of £0.02 each	**567**	567
	567	567

The total premium received on the issue of shares during the year was £nil (2012: £688,000).

Notes to the Company financial statements

for the year ended 31 March 2013

10 Share premium

	2013 £000	2012 £000
Balance brought forward	**30,041**	29,353
Premium on shares issued during the year	**–**	688
At 31 March	**30,041**	30,041

11 Other reserves

Share options reserve

	2013 £000	2012 £000
Balance brought forward	**933**	934
(Credit)/charge for the year	**(90)**	214
Transfer for options exercised in the year	**–**	(215)
At 31 March	**843**	933

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

12 Profit and loss account

	2013 £000	2012 £000
Balance brought forward	**395**	777
Profit for the financial year	**6,304**	111
Transfer from share options reserve	**–**	215
Dividends paid	**(779)**	(708)
At 31 March	**5,920**	395

13 Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Profit for the financial period	**6,304**	111
Dividends paid	**(779)**	(708)
Share-based payments charged to equity reserve	**(90)**	214
	5,435	(383)
Issue of shares	**–**	696
Net addition to shareholders' funds	**5,435**	313
Opening shareholders' equity funds	**31,936**	31,623
Closing shareholders' equity funds	**37,371**	31,936
Total shareholders' funds	**37,371**	31,936

14 Share-based payments

Full disclosures of the Group's EMI and Unapproved Share Option Schemes are given in Note 37 to the Group financial statements. The disclosures required in respect of all Directors' emoluments and share option plans are given in the Directors' remuneration report.

Glossary

1,25 dihydroxy vitamin D
1,25 dihydroxy vitamin D is the active metabolite of vitamin D. 1,25 dihydroxy vitamin D deficiency is associated with renal disease and is also useful in the diagnosis of disorders in the metabolism of 25 hydroxy vitamin D and phosphate.

25OH vitamin D
25 hydroxy vitamin D is a pre-hormone that is produced in the liver by hydroxylation of vitamin D3. In the kidney, 25 hydroxy vitamin D changes into an active form of the vitamin. The active form of vitamin D helps control calcium and phosphate levels in the body. The 25 hydroxy vitamin D is measured to determine a patient's vitamin D status.

Aldosterone
A steroid hormone produced by the outer section of the adrenal cortex in the adrenal gland. It plays a central role in the regulation of blood pressure.

Allergy
A hypersensitivity disorder of the immune system. Allergic reactions occur when a person's immune system reacts to normally harmless substances in the environment.

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.

Antibody
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.

Autoimmunity
Failure of an organism in recognising its own constituent parts as self, which allows an immune response against its own cells and tissues. Any disease that results from such an aberrant immune response is termed an autoimmune disease.

BAP
Bone alkaline phosphatise. BAP has been shown to be a sensitive and reliable indicator of bone metabolism.

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

BRIC
Brazil, Russia, India and China.

Cortisol
A steroid hormone produced by the adrenal cortex. It is released in response to stress and a low level of blood glucocorticoids. Its primary functions are to increase blood sugar, suppress the immune system and aid in fat, protein and carbohydrate metabolism. It also decreases bone formation.

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

Cuvette
A small tube, sealed at one end, made of plastic or glass and designed to hold samples for spectroscopic experiments.

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.

Haematology
Medical specialty that pertains to the anatomy, physiology, pathology, symptomatology and therapeutics related to the blood and blood-forming tissues.

IDS-iSYS system or instrument
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.

Glossary

Infectious diseases
Also known as transmissible diseases or communicable diseases, comprise clinically evident illnesses resulting from the infection, presence and growth of pathogenic biological agents in an individual host organism.

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.

Metabolite
A substance necessary for, or taking part in, a particular metabolic process.

MGP
Matrix gla protein (MGP) is a protein found in bone as well as in the heart, kidney and lung. MGP is a vitamin K-dependent protein that is a potential measure of cardiovascular calcification. In bone, its production is increased by vitamin D.

Osteocalcin
Osteocalcin is secreted solely by osteoblasts and thought to play a role in the body’s metabolic regulation and is pro-osteoblastic, or bone-building, by nature. It is also implicated in bone mineralisation and calcium ion homeostasis.

P1NP
A reliable marker of bone turnover in humans and is routinely used to monitor bone formation.

Renin
An enzyme that participates in the body’s renin-angiotensin system (RAS) and regulates the body’s mean arterial blood pressure.

STAT
A procedure that requires immediate collection, analysis and reporting of results that are critical to the proper care of the patient.

References

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