immunodiagnosticsystems

Immunodiagnostic Systems Holdings PLC

Annual Report & Accounts 2014

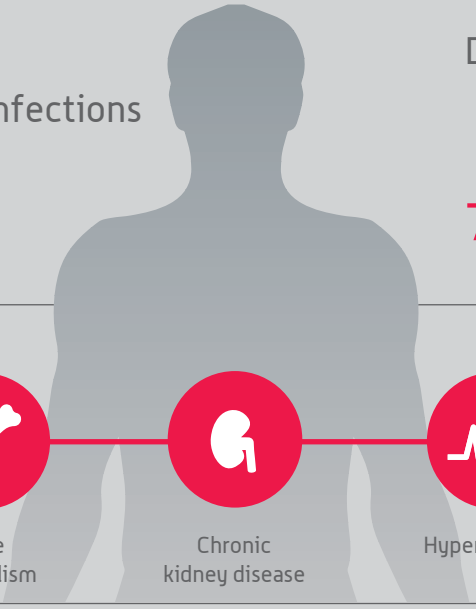
Contents

IDS at a glance

In vitro diagnostic tests are performed on samples taken from the body such as blood or urine

These tests identify

- Disorders
- Diseases
- Infections



Diagnostics and healthcare

2% of worldwide healthcare spending used on diagnostics

70% of medical decision-making influenced by diagnostics

Our current clinical areas

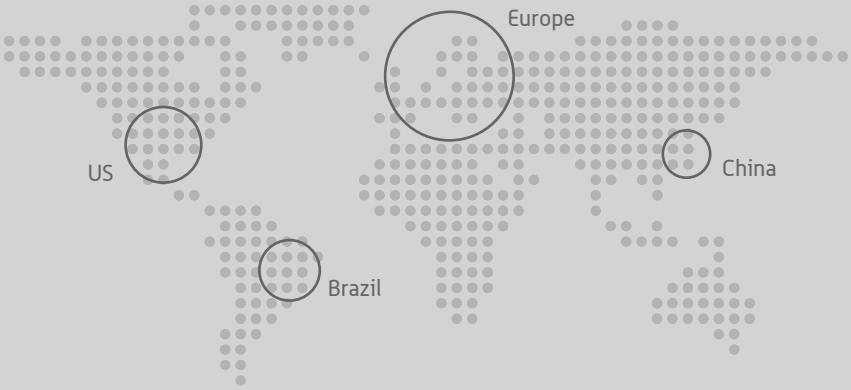
IDS Business

IDS assay types

32 Manual assays

13 Automated assays

IDS geographical focus



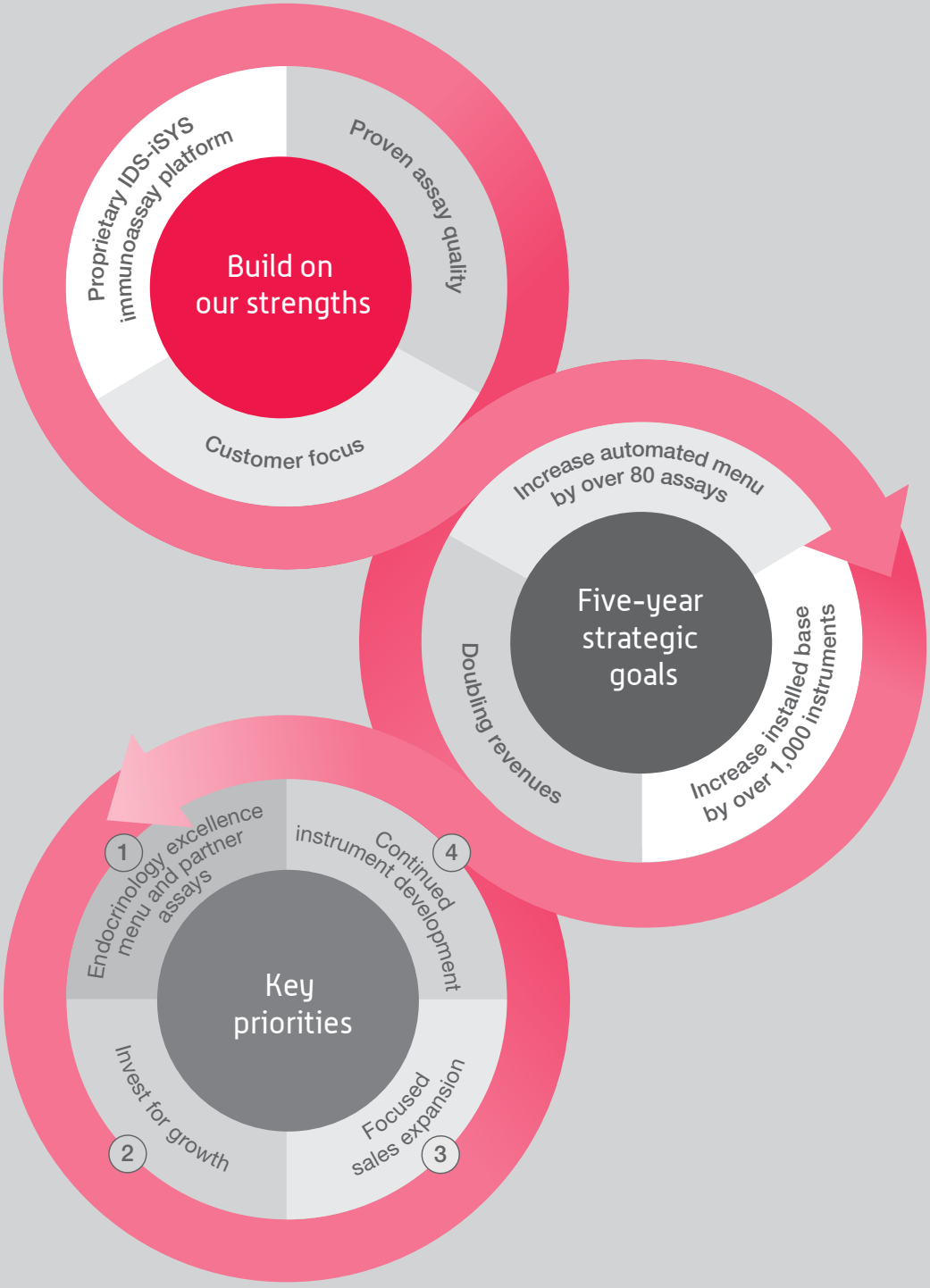
- These four territories account for c.85% of worldwide diagnostic spend
- IDS's 2014 sales are predominately derived from the US 31% and Europe 44%

IDS financials at a glance

£52m Revenue | **5%** Revenue growth | **£10m** EBIT | **328** FTE employees | **£27m** Net funds

Our strategy

Leading solution provider for specialty testing in immunodiagnostics



Strategy in action

Key priorities

1 Endocrinology excellence menu and partner assays

- Internal R&D focus on endocrinology excellence menu
- Work with partners to develop automated general assay menu

2 Invest for growth

- Invest in building our scalable manufacturing capabilities
- Complete roll-out of common information system
- Improve online sales and marketing capabilities

3 Focused sales expansion

- Build route to market to US/Europe POL/retail market segment
- Establish presence in China and Brazil

4 Continued instrument development

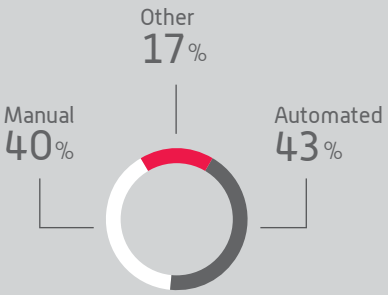
- Complete development of Mark II instrument
- Continual innovation of IDS-iSYS platform to retain competitive edge

Our business

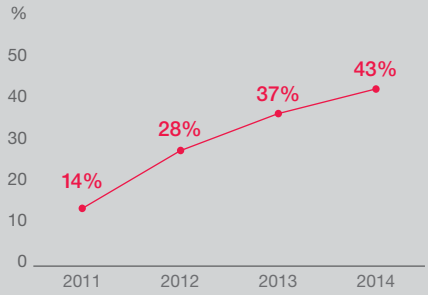
IDS financials

Revenue: £52m
Revenue growth: 5%
EBIT: £10m
Net funds: £27m

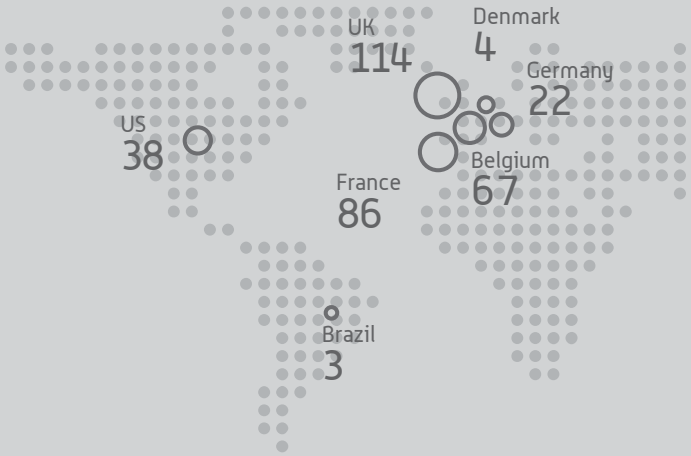
Revenue breakdown



Automated revenue as % of total sales



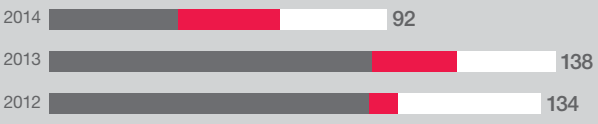
Our personnel worldwide



Our operations worldwide

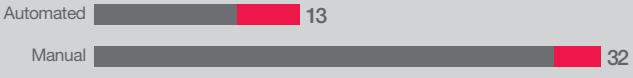
	Research & Development	Manufacturing	Sales & Marketing
Belgium	☑	☑	
Brazil			☑
Denmark			☑
France	☑	☑	☑
Germany			☑
UK	☑	☑	☑
US	☑		☑

Instruments installed by year



● Direct
● Distributor
○ OEM sales and partners

Assay menu



● US and Europe
● Europe only

The IDS-iSYS instrument

- Fully walk-away automation
- Compact, benchtop 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

Our current endocrinology clinical areas

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

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

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

Chronic kidney disease
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

Growth
Disorders in growth 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

Generalist assay partners

Thyroid
Thyroid diseases are caused by an imbalance in the production of thyroid hormones arising from the dysfunction of the thyroid gland, the pituitary gland or the hypothalamus

Allergy
A hypersensitivity disorder that occurs when a person's immune system reacts to normally harmless substances in the environment

Autoimmune
Autoimmune diseases arise from an abnormal immune response of the body against substances and tissues normally present in the body

Highlights

Launch of Strategic Plan

- IDS's vision is to be a leading solution provider to the clinical laboratory diagnostic market
- Our five-year target is to double revenues from current levels by increasing our installed base of IDS-iSYS instruments by over 1,000 and increasing the automated menu by over 80 assays
- Improving market penetration of our proprietary IDS-iSYS instrument platform through assay menu expansion:
  - internally developed "endocrinology excellence" menu, and
  - a broader complementary menu developed through partnership
- Greater market penetration of core markets (US and Europe) with geographic expansion targeted at the fast-growing markets of China and Brazil
- Continued investment for growth: enhancing operational scalability
- M&A strategy to expand presence and market leadership in key identified niche segments

Operational highlights

- Development of IDS-iSYS Mark II remains on track for H1 2015
- Chinese and Brazilian market entries are progressing well
- 35 net direct placements (2013: 88) and in total 92 instruments sold/placed (2013: 138)
- In 2013 FDA clearance of two automated assays: Direct Renin and 1,25 vitamin D

Financial highlights

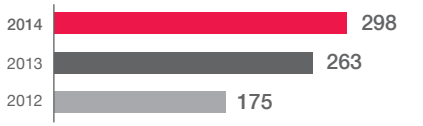
- Return to top line growth with revenues up 5.0% to £52.3m (2013: £49.8m)
- Automated revenues (IDS-iSYS), 42.8% of overall revenues, increased by 21.0% to £22.4m (2013: £18.5m)
- Revenues from manual tests, 39.8% of overall revenues, decreased by 18.0% to £20.8m (2013: £25.3m)
- Gross margin increased to 74.5% (2013: 73.1%), reflecting changing product mix
- Adjusted EBIT increased to £10.1m (2013: £9.8m) before exceptional items; Statutory EBIT of £8.3m (2013: £10.0m)
- Adjusted basic EPS before exceptional items of 28.7p (2013: 27.2p); basic EPS of 24.0p (2013: 27.5p)
- Cash generated from operations of £13.8m during the financial year, closing net funds of £26.7m (2013: £19.6m)
- Proposed increased dividend of 8.5p (2013: 3.0p), reflecting revised dividend policy

Revenue
March 2012-2014 £m

Adjusted* EBIT
March 2012-2014 £m

* Adjusted for exceptional items

Installed base (direct instruments)
March 2012-2014



Chairman's statement

This is a very exciting time for IDS and we are confident that successful execution of our Strategic Plan has the potential to deliver significant shareholder value over the medium term.

Anthony Martin
Non-executive Chairman

The Group's strategy:

1. to become a leading solution provider to the clinical laboratory diagnostic market
2. a five-year target to increase the automated assay menu by over 80 assays, increase the installed base by over 1,000 instruments and double revenues

Introduction
We are pleased to report a solid set of financial results for the year, which were in line with management's expectations. We are also pleased to outline below our revised five-year Strategic Plan (the "Plan"). The Plan outlines our vision, to be a leading solution provider to the clinical laboratory diagnostic market. The strategy is built on our core strengths and we believe offers an opportunity to realise the full potential of the Group over the medium term and beyond.

Financial overview
The Group returned to growth with reported revenues for the year of £52.3m (2013: £49.8m) and adjusted earnings before interest and tax of £10.1m (2013: £9.8m). The Group's statutory earnings before interest and tax were £8.3m (2013: £10.0m). We continued to see a shift in the Group's sales mix, with automated revenues accounting for 42.8% of overall revenues (2013: 37.1%), manual revenues 39.8% (2013: 50.9%), instrument revenues 5.8% (2013: 5.8%) and other income (including royalties) 11.6% (2013: 6.2%). In particular, revenues from automated Other Specialty assays increased by 91% to £7.3m (2013: £3.8m). We remain focused on developing our automated assay menu and we anticipate automated revenues will continue to contribute an increasing proportion of our revenues in the future.

Adjusted profit before tax was £10.2m (2013: £9.8m) before exceptional costs of £1.9m (2013: exceptional net income of £0.2m). The Group's statutory earnings before tax were £8.3m (2013: £10.0m).

Strategic Plan
We have conducted a thorough review of the business over the past six months and we are pleased to set out our five-year strategy for the Group. The strategic review covered all aspects of the business, including an assessment of new and existing market opportunities, the relative strength of the Group's competitive offering and an appraisal of the Group's internal capabilities. A gap analysis also highlighted organisational or infrastructure changes required to meet our key objectives.

In overview, IDS's vision is to become a leading solution provider to the clinical laboratory diagnostic market. The central tenet of this strategy is to rapidly build out our automated assay menu through internal development and partnership. Internally we will build upon our IDS heritage within certain endocrinology indications, such as vitamin D deficiency, to develop an "endocrinology excellence" menu. We will also continue to actively pursue a partnership strategy to develop a broader range of assays available on the IDS-iSYS instrument platform ("IDS-iSYS").

The IDS-iSYS is core to the future success of IDS and we will focus on completing the development of the IDS-iSYS Mark II instrument and continue to look for opportunities to improve our technology platform to enhance our customers' experience.

Chairman's statement

8.5 pence

Recommended dividend

Instrument development

IDS-iSYS Mark II remains on track for launch in H1 2015

Over time we will build our sales and marketing capabilities in our core markets, the United States and Europe, to achieve greater market penetration in certain market segments and we will focus our territory expansion on the fast-growing Brazilian and Chinese markets. In order to achieve our goals, we will continue to invest in the operational infrastructure of the Group to ensure we have a scalable platform for growth.

We believe there is a great opportunity to accelerate the implementation of our Strategic Plan through the acquisition of bolt-on businesses that (i) provide immediate access to endocrinology manual assays, that can be converted to automated assays, and/or (ii) strengthen our operational capabilities.

We believe the Plan has the potential to deliver three clear goals over a five-year timeframe: increasing our automated assay menu by over 80 assays, increasing our installed base of IDS-iSYS instruments by over 1000 and doubling revenues from current levels.

Board and management

In June 2013 we moved to a Board structure to include a majority of Non-executive Directors with only two Executive Directors: the CEO and the Group Finance Director. The Board believes that this will provide the right balance between Executive and Non-executive Directors for the strategic development of the Company over the short to medium term. Accordingly, Alain Rousseau, Engineering Director, relinquished his Board position with effect from 20 June 2013. Alain remains an integral part of the IDS Executive Team and is currently focused on the development of the Mark II instrument. At the same time, Martha Garrity, Technical Director, left the Company to pursue other opportunities. I would like to thank Martha for her important role in developing the R&D assay development capability within the Company.

The Executive Team has been strengthened during the year with the appointments of Hans-Werner Griesser as Technical Director and Jorge Cerda as Operations Director. We were delighted to be in a position to recruit these two vastly experienced diagnostic industry veterans who, along with the rest of the Executive Team, will support Patrik in the execution of our Group's revised strategy.

In March 2014, Dr Burkhard Wittek, Non-executive Director, stepped down from the Board. The Board would like to thank Burkhard for the significant contribution he has made to the development of the Group during his time on the Board.

42.8%

Automated revenues

Automated revenues account for 42.8% of overall revenues (2013: 37.1%)

Growth markets

Market entry into both China and Brazil progressing well

Dividend

The Board looks at a range of factors, including the macro environment, the current balance sheet and future investment plans when reviewing its capital allocation policy and, as part of this ongoing review, it has decided to revise its dividend policy. The Company's dividend policy aims to provide for a regular dividend flow, whilst allowing the Company to maintain the financial flexibility to take advantage of attractive investment opportunities in the future. Provided that our financial position allows for it, the Company will pay annual dividends on the basis of its results for the previous year and its revised dividend policy is for annual dividends to be 25-30% of the Group's net income. The amount and timing of a dividend may be changed at any time without notice. Therefore, the Board has recommended a dividend of 8.5p for the year ended 31 March 2014 (2013: 3.0p).

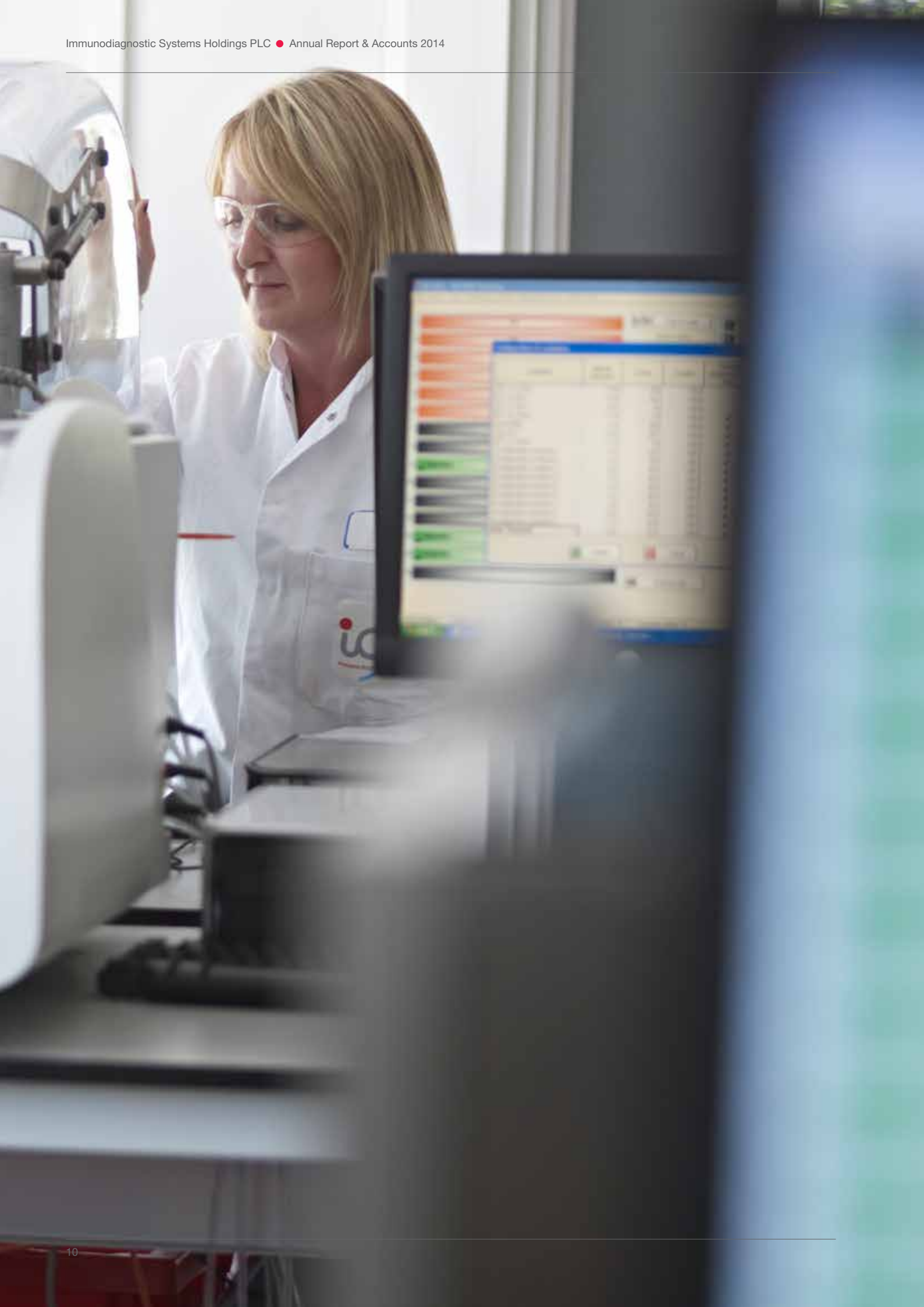
Outlook

Trading for the first two months of the current financial year is in line with management expectations. Our revenue performance in 2014/15 will be dependent on a number of factors including the level of net placements compared to 2013/14, the timing of the launch of our new 1,25 vitamin D automated assay, the successful registration and launch of our products in China and Brazil and the rate of manual assay revenue decline. We are focused on these key deliverables which would deliver modest revenue growth in the current financial year. In order to successfully execute our Strategic Plan we will continue to invest in upgrading our operational infrastructure, to create the scalable, technology-led platform required to compete effectively.

The Strategic Plan we set out builds on IDS's heritage in endocrinology, leverages significantly our IDS-iSYS instrument platform and has been developed in the context of market opportunities. This is a very exciting time for IDS and we are confident that successful execution of this Plan has the potential to deliver significant shareholder value over the medium term and beyond.

Our employees remain our strongest asset and their continued commitment to the business is essential to the success of the Company going forward. I would like to formally thank all IDS employees for all their hard work over the past 12 months.

Anthony Martin
Chairman



Operational review

During the financial year, we undertook a full review of the Group in order to build our vision and Strategic Plan ("Plan") for the Company.

Patrik Dahlen
Chief Executive

£52.3m

Reported revenues

Reported revenues grew 5.0% to £52.3m (2013: £49.8m)

Assay development strategy

Endocrinology excellence menu and through partnership a broader, complementary assay menu

The review was an excellent opportunity for the relatively new Executive Team to work closely together to build this Plan. In overview, IDS's vision is to be a leading solution provider to the clinical laboratory diagnostic market and is centred on a number of key themes, which are detailed below.

Significantly increase our automated assay menu
Our target is to add 80 proprietary and partnered assays to our automated assay menu over the next five years. This will be achieved through a combination of internal development and partnership.

Our assay development strategy is two-fold. Firstly, we will internally develop a market-leading menu of endocrinology assays. Secondly, through partnership, we will develop a broader, complementary, assay menu.

Endocrinology is a branch of biology and medicine dealing with the endocrine system, its diseases and its specific secretions called hormones. It also covers the integration of developmental events proliferation, growth and differentiation, and also the psychological or behavioural activities of metabolism, growth and development, tissue function, sleep, digestion, respiration, excretion, mood, stress, lactation, movement, reproduction and sensory perception as caused by hormones. The medical specialty of endocrinology involves the diagnostic evaluation of a wide variety of symptoms and variations and the long term management of disorders of deficiency or excess of one or more hormones. Most endocrine disorders are chronic diseases that need lifelong care. Some of the most common endocrine diseases include diabetes mellitus, hypothyroidism and the metabolic syndrome.

Our IDS heritage is within certain endocrinology indications such as vitamin D deficiency and we believe this offers a solid platform from which we can develop a larger IDS endocrinology excellence menu. This approach will focus on continuing to build our assay panels in our current clinical areas: bone and calcium, growth and hypertension, as well as extending into other clinical areas such as fertility and diabetes. We believe there is a clear opportunity for IDS to become a leading provider of endocrinology immunoassays in the IVD market.

The core objective of our R&D leadership team is to significantly accelerate our assay development process to allow the Group to rapidly build out its menu. In the current financial year, we are targeting the launch of a range of endocrinology assays including ACTH and cortisol (both hypertension markers) and Bone TRAP and MGP (bone metabolism markers). In addition, we still anticipate FDA clearance for our bone metabolism markers: osteocalcin, BAP and P1NP and our hypertension marker: aldosterone.

Operational review

50

Leadman's immunoassays conversion target

Expansion

We are actively seeking partnerships in certain indication fields

Our broader assay menu strategy is market driven and we will look to complement our endocrinology menu in related indication fields to allow the Group to better meet the needs of certain market segments, for example the Physician Office Laboratory ("POL") market. The broader assay menu strategy will be executed through partnerships with other diagnostic companies. This partnership approach is already under way and we will continue to work closely with our existing partners to develop this menu. We will also pursue further collaborations with partners who we believe offer a leadership position in certain related indication fields.

Beijing Leadman Biochemistry Technology Co, Ltd ("Leadman"), our R&D and Chinese distribution partner, has made good progress in converting 30 of their proprietary immunoassays for use on the IDS-iSYS instrument. Leadman's target is to convert 50 of their proprietary immunoassays and we believe a number of these assays will offer commercial opportunities outside of China. We anticipate registration in China of our IDS-iSYS instrument and the first wave of these assays to be complete by the end of 2014. Leadman will distribute these converted assays, alongside IDS's specialty assays, in China with IDS having exclusive rights to distribute these assays outside of China.

Omega Diagnostics Group plc ("Omega") continues to make progress in developing its panel of allergens and Omega's initial target is to launch 40 allergy tests by the end of 2014. In March 2011, we granted Omega a worldwide licence to develop and distribute allergy tests on the IDS-iSYS automated instrument. 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 US, Germany, France, Scandinavia and the UK.

Technogenetics has developed 29 automated assays for use on the IDS-iSYS in the areas of autoimmune and infectious disease. We continue to work closely with Technogenetics to further expand these assay panels. IDS distributes these assays in its core European territories of France and Germany as well as outside of Europe.

We continue to seek partners to provide "content" in certain indication fields that we believe offer synergy with our existing clinical areas. We are in active discussions with a number of parties who we believe may offer the appropriate level of expertise and capability in these areas.

Build on our key strengths

One of IDS's key strengths is its proprietary immunoassay platform, the IDS-iSYS instrument. It is important to strengthen this technology advantage through continued development of the instrument platform. In the near term we will focus on launching our next generation instrument, the IDS-iSYS Mark II ("Mark II").

€1m

Stago milestone payment – May 2014

Mark II trackability

We have successfully demonstrated the Mark II connecting to one of the major track systems

The development of the Mark II is proceeding according to plan. We remain confident that the base cost of the next generation of instrument will 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. The Mark II will also be connectable to laboratory track systems, enabling improved access to large laboratory customers. We have successfully demonstrated the Mark II connecting to one of the major track systems and we continue to work with a number of track providers. The development remains on course and the expected timescale for completion of the European system is the first half of 2015.

We continue to work closely with our development partner, Diagnostica Stago ("Stago") on the development of the Mark II. Stago will have exclusive rights to sell the Mark II instrument in its core coagulation market. The technology transfer to Stago for the IDS-iSYS Mark II instrument was completed in May 2014 by both IDS and Stago, triggering a further licence payment to IDS of €1m. Stago are also contributing €1m to the development of the instrument, payable on the achievement of certain milestones, with receipt of the first €0.5m in April 2013.

Ownership of this technology platform leaves us uniquely placed to respond effectively and quickly to customers' requirements as it allows the opportunity for an integrated approach to assay and instrument development. One recent example of this capability in action is the development of the 1,25 Vit D^{XP} automated assay. This accelerated assay development required the close co-operation of our instrument and assay development teams in order to deliver an assay that offers significantly improved workflow benefits to laboratory customers, as the sample pre-treatment is performed on board the IDS-iSYS. Longer term we will continue to invest in the IDS-iSYS instrument platform to improve its functionality and therefore attractiveness to our customer base.

Market and customer focus

We believe the development of an endocrinology excellence menu coupled with the Mark II instrument will allow us to continue to serve the needs of the large reference laboratories and specialist hospital laboratories. This menu will leverage the reputation for quality and scientific know-how that IDS has built within certain endocrinology indications, for example vitamin D, to date. This menu expansion will be supported by broadening our Key Opinion Leader network and developing a Scientific Advisory Board. The connectability of the Mark II instrument to laboratory track systems will be an attractive feature to large reference laboratories, allowing them the ability to connect the Mark II to their track systems and therefore reduce manual workload.

Operational review

£9 bn

Global immunoassay market

China

£700m IVD market

Brazil

£200m IVD market

In order to succeed in the general and retail laboratory market segment, we believe our endocrinology menu needs to be supported by a range of general assays. Once in place, we believe the relatively small footprint and cost-effectiveness of the Mark II instrument, coupled with this broader menu, will allow us to target this general and retail market opportunity in our core markets of the United States and Europe. There are over 100,000 Physician Office Laboratories ("POLs") in the United States alone. While this POL market varies significantly from small (two to five doctors) to large practitioners (200 physicians), we believe a significant segment of this market would find a small footprint immunoassay analyser with broad assay range and the potential to offer clinical chemistry tests attractive.

Focus on developing our core markets

We will focus on developing our core markets: the US, Europe, Brazil and China. Overall, we estimate the global immunoassay market to be worth approximately £9bn and growing at circa 5-7% per annum. Our current core markets of the United States and Europe account for approximately 75% of this overall market with low single digit growth rates. Brazil and China account for a further 10% of the overall market and are growing at a blended rate of circa 14% per annum overall. Therefore, focusing our efforts on these four territories will cover 85% of the overall global IVD market. We believe that this investment in existing territories (US and Europe) and expansion into specific growth markets (Brazil and China) is a pragmatic and realistic strategy for the Group will allow the best chance of succeeding in these growth markets.

In May 2013, we signed a distribution and R&D agreement with Leadman, which gives IDS access to the large and fast-growing Chinese market. The Chinese market for immunodiagnostics is estimated to be worth circa £700m and growing at approximately 15% per annum. Our approach in China is to combine the specialist immunoassay portfolio of IDS with the broader immunoassay range of Leadman. The partnership with Leadman is proceeding well and we anticipate the registration of the IDS-iSYS instrument and initial automated assays in Q3 2014/15.

In November 2013, we opened our Brazilian subsidiary, IDS Brasil Diagnósticos Ltda. The Brazilian market for immunodiagnostics is estimated to be worth £200m and growing at circa 10% per annum. We have recruited a sales and technical support team in Brazil, led by Denise Schwartz, who was formerly Head of PerkinElmer's South American operations. We are in active discussions with a number of the large laboratory chains in Brazil and we anticipate registration of our products by Q3 2014/15.

328

Average Group headcount

M&A strategy

Accelerate the implementation of our Strategic Plan through acquisitions

Invest for growth

We are cognisant of the need to invest in our infrastructure and operational capability to enable our ambitious growth plans to be met. IDS currently operates three manufacturing sites: (primarily) manual reagents (Boldon, UK); automated reagents (Liège, Belgium); and IDS-iSYS system production (Pouilly, France) as well as four sales offices: Paris, France (covering UK, France, Belgium, North Africa); Frankfurt, Germany (covering Germany, Scandinavia and the Baltics); Boldon, UK (Rest of World distribution) and Scottsdale, Arizona (US). We have almost completed the move of the US sales office from Scottsdale to Gaithersburg, Maryland.

To support our Strategic Plan we will continue to invest in the development of a Group-wide Enterprise Resource Planning System to enable the Group to work under one Information Systems ("IS") framework. We will also invest to upgrade our manufacturing and R&D facilities initially in both Boldon and Liège. This investment will be in facility upgrade, manufacturing automation and people. This upgrade is necessary to allow the R&D and operational teams to successfully manage a significant increase in the number of assays under development and the number of assays to be manufactured. Over time additional investment will also be necessary, for example, to increase our sales presence in our core geographies as well as investing in our online sales and marketing capabilities to enable us to manage a much larger actual and potential customer base, for example the POL market segment.

We strengthened our team in a number of functional areas of the Group during the year. At the Executive Team level we were very pleased to recruit Hans-Werner Griesser (Technical Director) and Jorge Cerda (Operations Director). We also invested in our sales and marketing division, significantly strengthening the Group marketing department with a number of senior hires. In addition, we undertook a major restructuring of our US sales operation, with the recruitment of a new General Manager, new Sales Manager, new Financial Controller and a number of changes in the field sales force. In the year ended 31 March 2014, the average Group headcount was 328 full-time equivalents (2013: 307). During 2014/15, we do not anticipate the significant increase in headcount we saw in 2013/14, although we are looking to strengthen the Group's operations team with a small number of targeted recruitments.

M&A strategy

Our M&A strategy is an extension of the Group's growth strategy. We believe there is a good opportunity to accelerate the implementation of our Strategic Plan through bolt-on acquisitions. We will be pursuing acquisitions in two, related, areas:

i) **Growing our endocrinology assay menu:** we are targeting specialty laboratory diagnostics businesses with an endocrinology (immunoassay) or related specialty focus. These companies will have a level of clinical leadership in a complementary indication field that is supported by a strong intellectual property position.

Operational review

91%

Increase in automated revenues from Other Specialty assays

Other income

Grew to £6.1m compared to £3.1m in 2013

ii) **Building operational excellence:** acquisition of clinical diagnostic businesses that offer complementary operational strengths to support the Group's growth plans. For example, these businesses may offer, *inter alia*, manufacturing know-how, an established route to market, geographically or in specific market segment, or a technology platform. These acquisitions may negate the need for some of the investment for growth set out above.

The Board has defined certain financial criteria that any acquisition should meet. In summary, acquisition targets should be revenue generating, profitable and cash generative businesses that will be earnings enhancing in the near term.

Business review

Overall automated and manual performance is set out in the table below.

Year ended 31 March	2014 £000	2014 %	2013 £000	2013 %	% change
Automated revenue (IDS-iSYS)					
25OH vitamin D	**10,860**		11,399		(4.7)
Other specialty	**7,285**		3,823		90.6
Operating lease rental	**4,227**		3,266		29.4
Total automated	**22,372**	**42.8**	18,488	37.1	21.0
Manual revenue					
25OH vitamin D	**8,468**		12,133		(30.2)
Other specialty	**12,310**		13,213		(6.8)
Total manual	**20,778**	**39.8**	25,346	50.9	(18.0)
Instrument revenue	**3,043**	**5.8**	2,866	5.8	6.2
Other income	**6,070**	**11.6**	3,072	6.2	97.6
	52,263	**100.0**	49,772	100.0	5.0

Group revenues increased 5.0% to £52.3m (2013: £49.8m) mainly as a result of 21.0% growth in automated revenues to £22.4m (2013: £18.5m) and growth in Other income to £6.1m (2013: £3.1m), partly offset by the 18.0% decline in manual revenues (2014: £20.8m, 2013: £25.3m).

Automated test revenue

	2014 £000	2014 %	2013 £000	2013 %	% change
Automated revenue (IDS-iSYS)					
25OH vitamin D	**10,860**	**48.5**	11,399	61.7	(4.7)
Other specialty	**7,285**	**32.6**	3,823	20.7	90.6
Operating lease rental	**4,227**	**18.9**	3,266	17.6	29.4
Total automated	**22,372**	**100.0**	18,488	100.0	21.0

£22.4m

Automated revenues grew £3.9m, representing 42.8% of Group revenues

92

Instruments placed and sold

During the financial year ended 31 March 2014, automated revenues grew to £22.4m (2013: £18.5m) to represent 42.8% of Group revenues (2013: 37.1%). The Board was encouraged by the growth seen in sales of its automated specialty test kits, particularly the Group's 1,25 dihydroxy vitamin D and growth panel (hGH, IGF-I and IGFBP-3). Non-25OH vitamin D automated tests accounted for 32.6% of the Group's automated revenues (2013: 20.7%). 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 £13.4m to £10.9m and Other Specialty from £9.0m to £7.3m. Total operating lease income increased from £3.3m in 2012/13 to £4.2m in 2013/14 due to continued growth in the installed base.

Growth in automated revenues is dependent on continued placements of the Group's IDS-iSYS instrument. In 2013/14, direct instrument placements were 35 (net of returns) (2013: 88) representing an increase of 13.3% over the installed base as at 31 March 2013. Direct instruments are those sold or placed with reagent rental IDS end-user customers in the Group's core markets of the US and Europe (excluding distributor territories of Spain and Italy). While the overall net placement figure was disappointing, we did see a marked improvement in the net placements figure in the fourth quarter, compared to the previous three quarters. This was mainly due to a noticeably better net placement performance in the US in the fourth quarter following a planned restructuring of the US sales operation initiated in the first half of 2013/14.

The total number of instruments placed (directly or through distributors) and sold to OEM partners was 92 (2013: 138).

	2014 Total	2013 Total	% change
Direct – net placements	**35**	88	(60.2)
Direct – installed base to date	**298**	263	13.3
Distributor – gross placements	**28**	23	21.7
Distributor – placements to date	**105**	77	36.4
OEM sales and partners	**29**	27	7.4

Average revenue per direct instrument ("ARPI") was £71,000 per annum (calculated on a rolling 12-month basis) (2013: £72,000). We do anticipate some level of downward pressure to continue as, typically, our new instrument placements are at a lower ARPI than historic levels.

Operational review

£20.8m

Manual test revenues

74%

US and Europe account for 74% of Group revenues (2013: 80%)

Manual test revenue

The majority of the decline in manual revenues to £20.8m (2013: £25.3m) was a result of the continued decline in manual 25OH vitamin D revenues to £8.5m (2013: £12.1m). 25OH vitamin D is now available on most automated platforms. Therefore, we continue to see customers switching to these platforms, including to some extent our own, and away from manual kits. Aside from manual 25OH vitamin D, revenues from our portfolio of other manual products declined by 6.8% to £12.3m (2013: £13.2m). This decline was mainly the result of our 1,25 manual assay customers switching to our 1,25 automated assay.

	2014 £000	2014 %	2013 £000	2013 %	% change
Manual revenue					
25OH vitamin D	**8,468**	**40.8**	12,133	47.9	(30.2)
Other specialty	**12,310**	**59.2**	13,213	52.1	(6.8)
Total manual	**20,778**	**100.0**	25,346	100.0	(18.0)

Instrument revenue

The Group generated £3.0m of revenue (2013: £2.9m) from the sale of spare parts and the sale of instruments to OEM partners and distributors.

Other income

Other income grew to £6.1m (2013: £3.1m) and represented 11.6% of total revenue (2013: 6.2%). This was due to a rise in royalty income and licence income for the Group. We saw a continued increase in royalty income from one partner. We anticipate that this income 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. Licence income rose due to recognition of £1.4m of the Stago licence fee. The upfront licence fee of €2m was agreed in February 2013 and recognised in part during 2013/14 as it is spread over the first 14 months of the agreement. In addition, we received a £0.5m milestone payment from Omega in relation to their worldwide licence to develop and distribute allergy tests on the IDS-iSYS.

Revenue by geography

Overall, Rest of World represented only 14.0% of the Group's revenues in 2013/14 (2013: 13.3%) and we anticipate Rest of World revenues growing as a proportion of overall revenues as our commercial operations in both Brazil and China commence.

Year ended 31 March	2014 £000	2013 £000	% change actual FX rates	% change constant FX rates
US	**16,011**	18,721	(14.5)	(14.6)
Europe	**22,851**	21,342	7.1	3.8
Rest of World	**7,331**	6,637	10.5	8.9
Other income	**6,070**	3,072	97.6	94.4
Group revenue	**52,263**	49,772	5.0	3.2

14%

Rest of World share of revenues

Strategic Plan

Our Strategic Plan offers a real opportunity for significant and sustainable shareholder value creation

The Group's US revenues declined by 14.6% at constant exchange rates in the year ended 31 March 2014. This was mainly due to a 27.5% decline in manual revenues, primarily the result of lower manual 25OH revenues. Automated revenues in the US increased by 6.6% with non-25OH vitamin D revenues growing at 30.3%. 2013/14 performance in the United States was impacted by a significant restructuring of the general management and sales force of the territory. While overall placement levels in the United States were disappointing in 2013/14, we were pleased with the uplift in net placements we saw in the final quarter of the financial year. This augurs well for the current financial year and with a settled field sales force and a number of anticipated FDA clearances we anticipate a better financial and placement performance in 2014/15.

In Europe, we saw a growth in revenues at a constant exchange rate of 3.8%. Overall, in Europe we saw a 13.5% decline in manual revenues, driven by a 27.8% decline in manual 25OH vitamin D revenues. Growth of automated revenues in Europe of 24.8% to £13.1m was encouraging with non-25OH vitamin D revenues growing at 58.8%. The picture in Europe was mixed, with our German sales office (covering the Nordic regions, Germany and certain Eastern European territories) seeing a strong performance in 2013/14 with overall revenue growth of 20.0%. However, our French sales office (primarily covering France, UK and Belgium) saw a 3.5% decline in revenues, with placement levels being depressed by continued consolidation of the French laboratory market leading to continued returns of instruments.

Summary

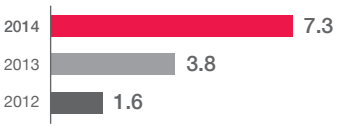
We are confident that the Strategic Plan for the Group outlined today will allow us to fully unlock the potential in the business and offers a real opportunity to deliver significant and sustainable shareholder value creation in the medium term and beyond. There remains a great deal of work to do to further improve our performance including enhancing the scalability of our operations and increasing our rate of internal assay development. We strongly believe that the key to success is to substantially improve the utilisation of the IDS-iSYS and that this can be achieved through a significant increase in assay menu, both through internal development and partnership. With the right team now in place we have begun to execute on this ambitious strategy and we look forward to keeping shareholders updated as to progress.

Patrik Dahlen
Chief Executive

Key performance indicators (KPIs)

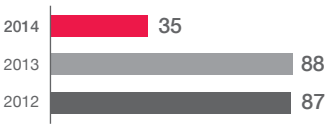
Our KPIs measure how we are doing across the Group operationally and financially in the context of the key elements of our strategy.

Non-25OH vitamin D automated revenues £m



Increase our range of assays and reduce our reliance on 25OH vitamin D testing.

Direct instrument placements number

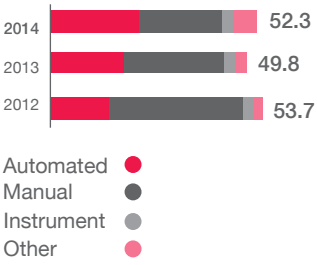


A higher installed base builds the level of automated revenue and underpins the development of our recurring revenues.

Rest of World revenues £m

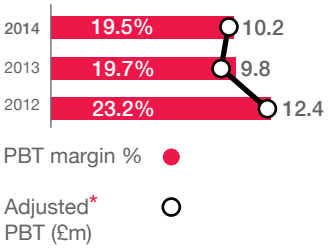
Brazil and China account for c.10% of worldwide diagnostic spend.

Revenue £m



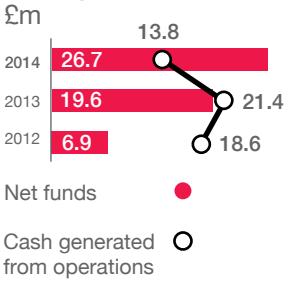
Reported revenues were up 5%. Automated revenues increased 21%.

Adjusted* PBT



Reported PBT was £8.3m with adjusted* PBT of £10.2m.

Cash generated from operations £m



Cash generated from operations was £13.8m with net funds of £26.7m at year end.

* Before exceptional items

Financial review

Group revenues increased by 5% to £52.3m while gross profit was up 7% to £38.9m.

Chris Yates
Group Finance Director

£10.1m

EBIT

Pre-exceptional earnings before interest and tax

9%

Growth in operating overheads

The Group achieved £10.1m of pre-exceptional earnings before interest and tax ("EBIT") (2013: £9.8m) in 2013/14. This performance was driven by revenue growth of 5.0% and a 1.4% improvement in gross profit margin percentage, which was partly offset by continued investment in operating infrastructure. Cash generated from operations in 2013/14 was £13.8m (2013: £21.4m) with net funds increasing from £19.6m as at 31 March 2013 to £26.7m as at 31 March 2014.

Year ended 31 March	2014 £000	2013 £000	% change
Revenue	**52,263**	49,772	5.0
Gross profit	**38,916**	36,371	7.0
Gross margin %	**74.5**	73.1	1.9
Operating costs	**(21,952)**	(20,110)	(9.2)
Depreciation and amortisation	**(6,846)**	(6,494)	(5.4)
EBIT pre-exceptionals	**10,118**	9,767	3.6
Exceptional (costs)/income	**(1,860)**	246	n/a
EBIT post-exceptionals	**8,258**	10,013	(17.5)

Group revenue of £52.3m (2013: £49.8m) increased by 5.0%, with strong automated revenue growth (21.0%) and other income growth (97.6%), partly offsetting continued declines in manual revenues (18.0%).

Gross profit of £38.9m (2013: £36.4m) was up 7.0% as a result of higher revenues and an improved gross margin percentage of 74.5% which was an underlying increase of 1.9%, reflecting the change in revenue mix.

Overheads
The Group's total overheads comprised:

Year ended 31 March	2014 £000	2013 £000	% change
Sales and distribution	**10,185**	8,143	(25.1)
Research and development (net of capitalisation)	**2,161**	2,379	9.2
Other administration costs (net of capitalisation)	**9,606**	9,588	(0.2)
Operating overheads	**21,952**	20,110	(9.2)
Depreciation	**2,682**	2,415	(11.1)
Amortisation	**4,164**	4,079	(2.1)
Pre-exceptional overheads	**28,798**	26,604	(8.2)
Exceptional costs/(income)	**1,860**	(246)	n/a
Total overheads	**30,658**	26,358	(16.3)

Operating overheads increased by 9.2% to £22.0m (2013: £20.1m). Pre-exceptional payroll costs represent approximately 63% of recurring operating overheads (2013: 61%). The increase in recurring operating overheads was primarily the result of higher payroll costs (2014: £13.7m, 2013: £12.3m) due to higher headcount, with average overhead headcount increasing from an average of 201 in the year ended 31 March 2013 to 218 in the year ended 31 March 2014.

28.7 pence

Adjusted basic earning per share

Investment

2013/14 saw increased investment in our sales and marketing infrastructure

The growth in operating overheads was mainly the result of increased investment in our sales and marketing infrastructure. Sales and distribution costs increased by 25.1% compared to 2012/13 as a result of a total headcount increase of nine across both field 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 increased from £1.6m in 2012/13 to £3.2m in 2013/14. The increase includes the development of the Mark II instrument, registration work in Brazil and China, coupled with a number of write offs of development costs in the previous financial year which depressed the level of capitalisation in that year. We review these developments on a periodic basis throughout the financial year and the costs are impaired if a development no longer meets the required criteria. One such project no longer met the commercial and technical criteria required for capitalisation in the financial year and therefore these costs were impaired, as set out in exceptional items below.

Finance income
Net finance income was £0.1m (2013: £0.0m).

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

Year ended 31 March	2014 £000	2013 £000
Release of provision against BHH receivable	–	1,505
Retirement of development costs	–	(794)
Impairment of assay development costs	(317)	(465)
Restructuring costs	(1,160)	–
Strategic review costs	(244)	–
Nattopharma legal defence costs	(139)	–
Total exceptional (costs)/income	**(1,860)**	246

Impairment of assay development costs
The bi-annual review of the assay register to identify any risk of impairment determined that one assay 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 this assay have been impaired.

Financial review

£26.7m

Group net funds

Group restructure

Significant restructuring has taken place during the year, including a number of senior management changes

Restructuring
The Group undertook a significant restructuring of its operations in 2013/14 with a number of senior management changes as well as the restructuring and relocation of the United States sales office. This led to a restructuring charge of £1.2m being incurred in the period.

Strategic review costs
During the year, the Group engaged a firm of management consultants to assist in a one-off strategic review of the business, leading to one-off consultancy fees of £244,000 being incurred in the period.

Nattopharma legal defence costs
In 2010, IDS acquired MGP Diagnostics AS ("MGPD") from Tibesi AS. Tibesi had acquired MGPD from Nattopharma ASA in 2009. Nattopharma issued legal proceedings against several parties, including IDS, stating its sale to Tibesi was ineffective because required shareholder approval was not obtained. IDS strongly rejected this claim and in January 2014 the case was settled out of court with both parties agreeing to pay their own legal costs. IDS paid legal fees of £139,000.

Taxation
The tax charge of £1.4m (2013: £2.2m) gives a full year effective tax rate of 16.6% (2013: 22.3%). This comprises a tax charge of £0.7m that arose in the year and a deferred tax charge of £0.7m. The overall effective rate has been reduced by the impact of prior year adjustments and the effect of the reduction in the UK tax rate from 23% to 20% on restating deferred tax balances. The Group has an unprovided deferred tax asset of £2.4m (2013: £2.0m) 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 credit of £0.5m (2013: charge of £0.2m), relating to exceptional items. The pre-exceptional tax rate was 16.5% (2013: 21.3%).

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 28.7p (2013: 27.2p).

Basic earnings per share has decreased to 24.0p (2013: 27.5p).

Balance sheet
The Group's shareholders' funds at 31 March 2014 were £86.6m (2013: £79.8m).

The fixed assets of the Group consist primarily of property (2014: £0.6m, 2013: £0.8m), IDS-iSYS instruments (2014: £6.0m, 2013: £6.7m) and other tangible fixed assets (2014: £2.6m, 2013: £2.5m), goodwill (2014: £16.0m, 2013: £16.3m), capitalised development costs (2014: £15.9m, 2013: £15.6m) and other intangible fixed assets (2014: £16.8m, 2013: £18.3m).

£13.8m

Cash flow from operations

40%

of Group revenue was denominated in US Dollars

As at 31 March 2014, the Group had net funds of £26.7m (2013: £19.6m).

Cash flow

IDS generated cash flows from operations of £13.8m (2013: £21.4m). The cash position in 2012/13 benefited from two notable items, namely the recovery of the BHH receivable (£1.5m) and the Stago licence fee (£1.7m). The 2013/14 operational cash flow was impacted by £1.8m restructuring costs paid in the year.

Foreign exchange

In the period, 40% of the Group's revenues were denominated in US Dollars, 48% Euros, 10% Sterling and 2% other currencies.

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

Average exchange rates	2014	2013	Weakening (strengthening) against Sterling %
Sterling: US Dollar	**1.58**	1.59	(0.1)
Sterling: Euro	**1.19**	1.23	(3.5)

The effect of these exchange rate changes on the results for the year was to increase reported revenue by £0.9m.

Dividend

The Board is proposing a dividend for the year of 8.5p (2013: 3.0p) subject to the approval of shareholders at the Annual General Meeting on 4 August 2014. If approved, the dividend will be paid on 22 August 2014 to shareholders on the register at the close of business on 25 July 2014.

Chris Yates
Group Finance Director

Principal risks and uncertainties

The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out below. While the list is not exhaustive, it is derived from the Group's detailed risk register. The Group's internal risk identification and management process is as follows:

- The Executive Team prepares and reviews on a quarterly basis, by function, the risk register for the Group. The risk register details specific risks to the Group, the quantification of those risks in terms of probability and impact, and mitigating actions required to manage these risks.
- The risk register assigns responsibility for each risk and mitigation plan to one or more members of the Executive Team.
- The risk register is then reported to the Audit Committee at least biannually.
- Specific risk items may also be discussed at Board level as appropriate.

Risk	Description	Possible impacts	Mitigating factors
Product portfolio risk	The Group derives a significant proportion of its revenue from its 25OH vitamin D products. There is a risk that a range of factors including increased competition, changes in reimbursement and alternative assays could significantly impact the revenue that the Group derives from this product set.	Loss of revenue and profit.	We continue to invest in promoting and marketing our vitamin D products backed where necessary by third-party references. In addition, the Group is seeking to diversify its revenue stream by developing a broader range of automated assays.
Placement risk	The Group's strategy and revenue and profit forecast are built upon the assumption of continued growth in the net placement of the IDS-iSYS instrument. A significant reduction in the level of gross placements and/or a substantial level of returns would have a material impact on the financial results of the business.	Loss of revenue and profit. Worse competitive position. Loss of long-term growth potential.	The Group employs sales leaders in each of its direct sales territories and an experienced sales force to manage and grow its installed base of instruments. These sales teams are incentivised to grow placement numbers. In addition, the Group continues to seek to improve its product offering through improved instrumentation and through making available to current and prospective customers a larger menu of automated assays.
Technology risk	The Group's strategy going forward is focused on continued placements of its IDS-iSYS instrument and subsequent development and enhancement of this platform. A third party could produce a more advanced device with improved functionality or a similar device with significantly lower build costs. This could have a material adverse effect on the Group's business.	Loss of revenue and profit. Worse competitive position. Loss of long-term growth potential.	The Group continues to focus on developing and improving its technology to remain competitive. The Group is currently focused on developing the Mark II instrument, which will be cheaper to manufacture and be "trackable". IDS will continue to invest in instrument R&D over the medium term to further improve its technology platform.

Risk	Description	Possible impacts	Mitigating factors
Regulatory risk	Many of the Group's products are required to follow specific regulations around, inter alia, the design, development, approval, manufacture, labelling, marketing and sale of these products. There can be no guarantee that any of the Group's products will be able to obtain or maintain the necessary regulatory approvals in any or all of the territories in respect of which applications for such approvals are made.	Loss of revenue and profit. Possible loss of brand value and reputation.	The Group seeks to reduce this risk by developing robust assays through a validated and stringent design control process. This process encompasses research, development, manufacturing and post-launch activities to ensure all functions are working under the same quality framework. The Group seeks to foster a culture where quality is the number one priority. The Group employs suitably qualified staff, consults, where necessary, with regulatory advisors and regulatory approval bodies and works with experienced distribution partners to ensure any regulatory requirements are met.
Legal risk	Business practice, in general, and in the medical diagnostics business specifically, is subject to increased scrutiny by government organisations. The trend in many countries is towards increased enforcement activity. For example, the Physician Payments Sunshine Act ("Sunshine Act") requires manufacturers of drugs, medical devices and biologicals that participate in US federal healthcare programmes to report certain payments and items of value given to physicians and teaching hospitals. Another example being that the Group is subject to increased regulation of personal information. In the UK, the Data Protection Act 1998 controls how personal information is used by organisations, businesses or the government. Failure to comply with such laws could lead to a range of penalties and sanctions being imposed upon the Group. This could have a detrimental impact on profits and on the immediate and long-term sustainability of business in a particular territory.	Loss of profit. Possible loss of brand value and reputation.	We use a variety of methods to train our staff to understand the Group's legal and regulatory obligations and ensure compliance. We operate a whistle-blower policy to provide an independent reporting channel for employees and third parties to report any concerns on these matters. We are in regular contact with healthcare professionals and legal advisors to ensure we are aware of our ongoing legal and regulatory responsibilities.

Principal risks and uncertainties

Risk	Description	Possible impacts	Mitigating factors
Development risk	The Group is reliant on both its instrument and assay developments meeting internal deadlines to ensure the Group reaches its revenue and profit targets over the medium term. Failure to meet target dates for development results in fewer assays available to customers, with subsequent loss of competitive position in the market. The launch of the Mark II instrument is a central tenet of the Group's medium-term strategy and a material delay to this project could impact the Group's long-term projections and allow competition to enter the marketplace earlier with new technology.	Loss of revenue and profit. Worse competitive position. Loss of long-term growth potential.	The Group seeks to manage this risk through implementing a design review process and ensuring active project sponsorship for our key development projects at the Executive level. In addition, the Group seeks to build cross-functional experienced teams that can utilise their collective knowledge to manage risks and issues in a proactive and collaborative manner.
Site and system disruption risk	Unexpected events could disrupt the business by affecting a key facility, critical equipment, IT systems or a large number of employees. The unanticipated loss of a production site, for example, for a period of time could lead to an inability to supply customers with products.	Loss of revenue and profit.	We continue to work on building robust cross-functional business continuity and disaster recovery plans to ensure we can respond in an effective and managed way to a variety of situations. We seek to put in place service contracts for critical equipment and IT systems to ensure items are serviced on a regular basis and downtime is kept to a minimum.
Supply risk	The Group is reliant on certain key suppliers of raw materials, components, finished products and packaging materials. For example, issues with a single source supplier of a key component could lead to our inability to manufacture products, resulting in a loss of revenue and profits and potentially a loss of customers.	Loss of revenue and profit.	We seek contractual relationships with key suppliers to ensure continuity of availability of supply and sufficient notice of any supply disruption. In addition, where possible, we endeavour to put in place second sources or increased inventories for critical components.
Country risk	Many governments are facing increasingly intense budgetary constraints. The Group is therefore largely dependent on governments providing increased funds commensurate with the increased demand arising from demographic trends. Political upheaval in the countries where the Group operates or surrounding regions could adversely affect Group operations or turnover. The Group's prospects are also partially dependent on successfully entering a number of new territories, in particular Brazil and China.	Loss of revenue and profit. Loss of long-term growth potential.	The Group employs Country Managers, works with experienced local distributors or partners, and local legal and regulatory advisors to develop territory or region-specific business development strategies. These parties provide, on the ground, support and advice to the Executive Team in dealing with any specific events as well as ensuring robust plans are developed and are well executed.

Risk	Description	Possible impacts	Mitigating factors
Exchange rate risk	The Group's sales and purchases are mainly made in Sterling, Euros and US Dollars and so it is exposed to the movement in exchange rates in these currencies.	Loss of revenue and profit.	The Group manages this risk by, wherever possible, building a natural hedge of Euro and US Dollar denominated sales and purchases whereby the inflows and outflows of Euros and US Dollars are roughly equal. The Group considers a limited level of foreign currency hedging to manage the risk arising from sales by an operation denominated in a currency other than its functional currency.
Royalty income risk	The Group derives a significant proportion of its revenue (c.8%) and EBIT (c.39%) from royalty derived from one partner. 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.	Loss of revenue and profit.	The Group is seeking to diversify its revenue stream by developing a broader range of automated assays and a broader geographic mix.
Partnership risk	The Group is dependent on a number of partners for the development of its assay menu. These partners currently include Omega Diagnostics, Leadman and Technogenetics. Failure to work closely with these partners could lead to the assay developed not being suitable for the IDS core markets or not being developed on time.	Loss of revenue and profit. Possible loss of brand value and reputation.	The Group works actively with its partners to ensure consistency of development approach and to provide marketing input in terms of the assay menus being developed and any key specific requirements for each of these assays.
Loss of people	The Group's continued success is dependent on key employees and their ongoing relationships with key stakeholders such as customers and suppliers. Given the size of the Group, it is the Board's view that the Group is not reliant for its success on one individual.	Loss of revenue and profit.	The Group performs regular reviews of remuneration packages (including long-term incentive schemes) and succession planning within the management team.

The Strategic Report on pages 2 to 29 of the Annual Report & Accounts 2014 has been approved by the Board of Directors.

By order of the Board

Andrew Davison LLB
Company Secretary

23 June 2014

Board of Directors

1 Dr Anthony Martin
Non-executive Chairman

Anthony has more than 25 years' experience in life science and biotechnology businesses, both in the UK and US, 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 and Orthofix International N.V.

Anthony has a Doctorate in Immunology from the University of Manchester Medical School and began his career in 1979 with Procter & Gamble in R&D before moving to Amersham International in marketing and business development roles. He has since run as CEO a number of medical technology 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.

2 Dr Patrik Dahlen
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 diagnostic products, including Companion Diagnostics partnerships and products. Patrik is Chairman of the Board of Anapa Biotech, and is a member of the Board of Adva Light.

3 Mr Chris Yates
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.

4 Dr Eddie Blair
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 Advisor 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 GeneFirst Limited. He has published more than 50 peer-reviewed papers and is named inventor on more than a dozen patents, many of them granted.

5 Mr Roland Sackers
Non-executive Director

Roland is Chief Financial Officer and Managing Director of QIAGEN N.V. and joined IDS in 2011 as Non-executive Director and Chair of the Audit Committee. As CFO, Roland spearheads the creation and execution of long-term financial plans which enable QIAGEN to execute its accelerated growth strategy. He was responsible for numerous financing activities both on the equity side and the debt capital side with a total value of more than US$3bn, which supported more than 25 M&A transactions and led to significant revenue and profit growth.

Roland holds a Masters degree in Business Administration (Diplom-Kaufmann) from the University of Münster. He joined QIAGEN in 1999 and has been CFO since 2004. He topped ratings of Biotech CFOs in a survey released by Thompson Reuters in 2011. Prior to joining QIAGEN, he acted as an auditor with Arthur Andersen. Roland is a Board member of the industry association BIO Deutschland as well as member of the board of directors and head of the audit committee of QIAGEN Marseille (formerly Ipsogen S.A.).

Directors' report

The Directors submit their report and audited financial statements of the Company and of the Group for the year ended 31 March 2014.

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

Business and financial review
A comprehensive review of the year and future development of the business is given in the Strategic Report on pages 2 to 29.

Results and dividend
The Group's profit for the year attributable to owners of the parent was £7.0m (2013: £7.8m). No interim dividend was paid (2013: £nil) and the Directors have recommended a final dividend of 8.5p (2013: 3.0p) 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 in the clinical areas of calcium metabolism, bone metabolism, chronic kidney disease, hypertension and growth.

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
Dr E D Blair	Non-executive Director
Mr R Sackers	Non-executive Director
Mr A Rousseau* (resigned 20 June 2013)	Engineering Director
Dr M L Garrity (resigned 20 June 2013)	Technical Director
Dr B Wittek (resigned 6 March 2014)	Non-executive Director

* Mr A Rousseau resigned from the Board on 20 June 2013, but remains on the IDS Executive Team with a focus on the development and launch of the IDS-iSYS Mark II

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

Remuneration report
The Remuneration report set out on pages 40 to 44 will be presented to shareholders for approval at the Annual General Meeting.

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 that complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the Executive management continued to engage employees with regular briefings, providing information on the performance of the Group and economic and financial factors affecting it. All employees are encouraged to raise their suggestions and views, and to raise questions to the CEO. Regular newsletters co-ordinated by the "OneIDS" Committee provide cultural news for employees around the world.

Environmental policy
The Group seeks to provide customers with products that meet their requirements with respect to fitness for use, reliability, delivery and value for money while ensuring that compliance with all industry regulatory standards. 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 it complies with all regulatory and legislative requirements and also seeks to continually reduce any adverse impact on the environment
- the Group will educate and 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. They use antibodies and other well established common reagents that can be readily acquired. Materials are sourced from reputable 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
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. The Group produces products adhering to the requirements of Good Manufacturing Practice (GMP) required by the United States Food & Drug Administration (FDA) and European IVD Directive.

Financial instruments
The Group continues to generate significant revenues, profits and cash flows through its subsidiary undertakings. We continue to monitor and manage our exposure to external pressures that may affect our performance. This includes monitoring our key customer and supplier contracts as well as looking to offset any exchange risk by matching liabilities with relevant assets. The majority of the Group's revenue is generated through subsidiaries that deal directly with end users. As such, we are able to maintain good relationships with respect to pricing and credit control, reducing risk in those areas. Note 35 to the financial statements gives specific information on the financial risks the Group is exposed to.

Principal risks and uncertainties
The principal risks and uncertainties are set out on pages 26 to 29.

Related party transactions
Transactions occurring with associated undertakings are detailed in Note 27 to the financial statements.

Annual General Meeting
The Company's Annual General Meeting will be held on Monday, 4 August 2014 at 2:00pm at 10 Didcot Way, Boldon, Tyne & Wear, NE35 9PD.

Auditor
Ernst & Young LLP have held office as Company auditor throughout the year and will be recommended for reappointment at the Annual General Meeting to be held on Monday, 4 August 2014.

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 32. Having made enquiries of fellow Directors and of the Company's auditor, 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 auditor in connection with preparing their report) of which the Company's auditor is 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 auditor is aware of that information.

By order of the Board

Andrew Davison LLB
Company Secretary

23 June 2014

Corporate governance report

The first version of the UK Corporate Governance Code was produced in 1992 by the Cadbury Committee. Its paragraph 2.5 is still the classic definition of the context of the Code:

Corporate governance is the system by which companies are directed and controlled. Boards of Directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting.

As an AIM listed company, IDS is not obliged to comply with the UK Corporate Governance Code published in September 2012 ("Code") but instead uses its provisions as a guide, only as considered appropriate to the circumstances of the Company. The Code defines corporate governance as "what the board of a company does and how it sets the values of the company, and is to be distinguished from the day-to-day operational management of the company by full-time executives".

The Board believes that good corporate governance, actively applied, promotes, inter alia, accountability, integrity, clear communication, a performance-based culture and a clear understanding of roles and responsibilities. These features of the Company's culture underpin the execution of the Company's strategy and therefore the long-term success of the Company. The Board is committed to achieving and maintaining high standards of corporate governance and therefore fully supports the principles of the Code. In adopting the principles of good governance, the Directors have taken into consideration the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 (the "QCA Code"). The QCA Code adopts key elements of the Code, current policy initiatives and other relevant guidance and then applies these to the needs and particular circumstances of small- and mid-size quoted companies on a public market. The QCA Code identifies 12 principles that will enable companies to deliver growth in long-term shareholder value by maintaining a flexible, efficient and effective management framework within an entrepreneurial environment. Our compliance with these 12 principles is set out below.

Setting out the vision and strategy
The Company strategy is initiated and developed by the Chief Executive Officer and Executive Team. The Board has recently refined its strategy and long-term vision for the Company and this is set out in the Chairman's statement and Operating review of this Annual Report. The Executive Team, led by the Chief Executive Officer, is responsible for implementing this strategy and for generally managing and developing the business. Changes in strategy require approval from the Board.

Managing and communicating risk and implementing internal control
Ultimate responsibility for the process by which risk in the business is managed rests with the Board, although the annual review will be conducted by the Audit Committee. The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 26 to 29 of this Annual Report.

The Executive Team prepares and reviews a detailed risk register on a quarterly basis, by function. This risk register details specific risks to the Group, the quantification of those risks in terms of probability and impact, and mitigating actions required to manage these risks. The risk register assigns responsibility for each risk and mitigation plan to one or more members of the Executive Team. The risk register is then reported to the Audit Committee at least biannually, which will report its findings to the Board.

Articulating strategy through corporate communication and investor relations
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 Officer and Group Finance Director. 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 Annual Report contains the Chairman's statement, Operational review and Financial review and provides a detailed consideration of the Group's position, prospects and strategy. The Interim report gives an update at the half year. All reports and press releases are published on the Group's website (www.idsplc.com).

Meeting the needs and objectives of your shareholders
The Board is committed to maintaining an open dialogue with shareholders. Communication with shareholders is co-ordinated by the Chief Executive Officer and Group Finance Director in conjunction with the Group's broker.

The Annual General Meeting ("AGM") is the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders.

Following the twice-yearly results announcements, detailed feedback is prepared by the Company's financial PR consultants, outlining the views and reactions of investors and analysts.

Meeting stakeholder and social responsibilities
The Board recognises its prime responsibility under UK corporate law is to its shareholders. The Board also understands it has a responsibility towards, inter alia, employees, partners, customers, suppliers and the patients who ultimately benefit from its diagnostic tests. Our corporate social responsibility approach continues to meet these expectations. The Board also understands it has a responsibility to take into account, where practicable, the social, environmental and economic impact of its approach.

Using cost-effective and value added arrangements
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.

Developing structures and processes
The Executive and Non-executive Directors are collectively responsible for promoting the success of the Company. However, their respective roles are strictly delineated. The Executive Directors have direct responsibility for the business operations of the Company and the Non-executive Directors are responsible for bringing independent and objective judgement to Board decisions, with the Chairman primarily responsible for the effective running of the Board. 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.

Corporate governance report

The Board has a number of matters specifically reserved for its decision or approval. These include the approval of the interim and annual financial statements, setting strategic direction, budgets and long-term plans. Other areas are detailed below:

- Agreement of Company strategy, which is initiated and developed by the Chief Executive Officer and Executive Team
- Approval of the acquisition or disposal of any subsidiary
- Ultimate responsibility for the process by which risk in the business is managed, although the annual review will be conducted by the Audit Committee, which will report its findings to the Board
- Approval of the Company's share dealing code
- Approval of major capital expenditure
- The introduction of any new share incentive plans or significant changes to existing plans
- Approval of the dividend policy and the declaration of the interim dividend and recommendation of the final dividend
- Any changes relating to the Company's capital structure, including reduction of capital, share issues (except under employee share plans) and share buy backs

IDS's compliance structure is summarised based upon the following three principles:

Prevent	Detect	Respond
Board oversight		
Management responsibility		
Examples of prevention: Risk management Policies and procedures Training and communication Advice and support	**Examples of detection:** Whistle-blowing policy Compliance controls Compliance audits Compliance investigations	**Examples of responding:** Senior level involvement Consequences of misconduct

There is no Compliance Department within IDS and therefore compliance is dealt with at both a Group and functional level, depending on the area. Ultimately, the Board is responsible for all compliance matters.

The Board and the Executive Team is supported on compliance matters by both internal and external resources. Externally, the Group utilises legal counsel, regulatory consultants and other experts where it is deemed appropriate.

Being responsible and accountable

The Board is responsible for determining the strategy of the Company. The Chief Executive Officer and his Executive Team implement that strategy. While all Directors share collective responsibility for the activities of the Board, some roles have been defined in greater detail. In particular, the roles and responsibilities of the Chairman and Chief Executive Officer are clearly defined. The Chairman's primary role is to lead the Board, and to ensure that it is independent, effective and complementary. The Chief Executive Officer's primary role is to provide the overall management and leadership of the Company. It is the responsibility of both the Chairman and the Chief Executive Officer to uphold and promote the highest standards of integrity and probity within the Company.

In addition, there are a number of matters reserved for the main Board. Some of the Board's detailed work is delegated to each of the Nomination, Audit and Remuneration Committees. Each of these Committees has their own terms of reference, which may be found on the Group's website at www.idsplc.com.

Having balance on the Board
As at the Group's year end 31 March 2014, the Board comprised of two Executive Directors, a Non-executive Chairman and two other Non-executive Directors. Details of the current Directors are set out on page 32. 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 and Committee meetings attended in the 12 months to 31 March 2014 is set out below:

Six Board meetings were held in the year to 31 March 2014.

	Remuneration Committee meetings		Audit Committee meetings		Board meetings	
Director	Attended	Eligible	Attended	Eligible	Attended	Eligible
Dr A F Martin	2	2	2	2	6	6
Dr P O Dahlen	0	0	0	0	6	6
Mr C H F Yates	0	0	0	0	6	6
Dr M L Garrity[1]	0	0	0	0	2	2
Mr A Rousseau[2]	0	0	0	0	2	2
Dr E D Blair	2	2	0	0	6	6
Dr B Wittek[3]	2	2	2	2	6	6
Mr R Sackers	0	0	2	2	5	6

1 Dr M L Garrity resigned as a Director on 20 June 2013
2 Mr A Rousseau resigned as a Director on 20 June 2013
3 Dr B Wittek resigned as a Director on 6 March 2014
4 The Nomination Committee only meets as matters arise

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 and Mr C H F Yates. The offices of Chairman and Chief Executive are separate.

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.

Under section 175 of the Companies Act 2006 Directors must avoid situations in which they have, or can have, a direct or indirect interest that conflicts with, or may conflict with, the Company's interests unless the matter has been authorised by the other Directors.

Therefore, Directors are required to declare to the other Directors the nature and extent of any direct or indirect interest in a proposed transaction or arrangement with the Company (section 177 of CA 2006) and in any existing transactions or arrangements with the Company (section 182 of CA 2006). The Board has a power to authorise any conflicting interests or potential conflicting interests that are disclosed by a Director.

At every Board meeting Directors are asked to review and make any amendments to existing declarations of any situations that may give rise to Directors' conflicts of interest. Any such notifications are kept in a conflicts register maintained by the Company Secretary and any potential conflicts are reviewed by the Board to determine whether any actual or potential conflict arises and are authorised if appropriate.

Corporate governance report

Having appropriate skills and capabilities on the Board
The Board regularly reviews the composition of the Board to ensure it has the necessary skills to support the development of the business.

There are general requirements of each of the Committees of the Board as follows:

- Audit Committee: All of the members of the Committee should be independent Non-executive Directors and at least one member should have recent and relevant financial experience
- Remuneration Committee: All of the members of the Committee should be independent Non-executive Directors
- Nomination Committee: The majority of the members of the Committee should be independent Non-executive Directors

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

Audit Committee
The Audit Committee comprises Mr R Sackers, (a qualified accountant and Chairman of the Committee) and Dr A F Martin. The Board feels that this Committee is independent, as members are independent Non-executive Directors. The Audit Committee is responsible for the relationship with the Group's external auditor, 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 auditor and reviewing reports from the auditor. It meets with the auditor at least twice a year.

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

- a review of non-audit services provided to the Group and related fees
- discussion with the auditor 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 auditor's 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 auditor 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 auditor is independent in the discharge of their audit responsibilities.

Remuneration Committee
The Remuneration Committee comprises Dr E D Blair (Chairman) and Dr A F Martin. It reviews the performance of the 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 and share options are contained within the Directors' remuneration report.

Nomination Committee
The Nomination Committee comprises Dr A F Martin (Chairman) 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.

Evaluating Board performance and development
In 2014, we intend to conduct a formal annual review into the effectiveness of the Board. The review will initially consist of a questionnaire prepared and subsequently received by the Company Secretary.

During the course of the year, the Board received updates and training from the Company Secretary and various external advisors on a number of corporate governance matters.

Providing information and support
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 to all Directors. There is a rolling agenda incorporating Board presentations from all the functional leaders on a periodic basis, including Assay R&D, Instrument R&D, Operations, HR and Sales & Marketing.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is refreshed through ongoing training and access to publications and information.

It is recognised that situations may arise when a Director may legitimately wish to seek personal advice as to his/her duties and responsibilities. It will normally be appropriate for that advice to be provided by or through the Company Secretary.

Where, for whatever reason, the normal arrangements are inappropriate, any Director may take separate external advice at the Company's expense provided that he/she shall first have agreed the need for this with the Chairman (or in the case of the Chairman, with a Non-executive Director or the Chief Executive Officer) as well as agreeing the identity of the advisor to be approached and a budget for the cost of the advice.

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.

By order of the Board

Andrew Davison LLB
Company Secretary

23 June 2014

Directors' remuneration report

Introduction and compliance
I am pleased to present the Directors' remuneration report for 2013/14. We have made one change to our remuneration policy during this year in that the share option scheme no longer rebases performance targets if those targets are not met during the Performance Period (as defined below). Therefore our policy of relating pay to the Company's business priorities and its performance is strengthened and continues to be the strong principle underlying the Remuneration Committee's consideration of executive remuneration.

Overall, we aim to ensure the Company continues to attract, motivate and retain high-calibre individuals to deliver the highest possible performance for our shareholders and customers. We believe the mix of our remuneration package provides an appropriate and balanced opportunity for executives and their senior teams. Our incentive plans are reviewed annually to ensure they remain closely aligned with the Company's strategic objectives and our shareholders' interests, while continuing to motivate and engage the team leading the Company to achieve its strategic aims.

Although we are not required to 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 4 August 2014.

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 includes Dr A F Martin.

The Group HR Manager acts as Secretary to the Committee and also provides advice on remuneration policies and practices. No Director or other attendee is present during any discussion regarding their own remuneration.

As well as having regular meetings during the year, the Committee carries out an annual review of the Company's remuneration practices and incentive plans to ensure they remain aligned to the Company's strategic goals. The Committee also takes the opportunity to assess external trends and best practice. The ability of the Group to attract, retain and engage high-calibre and well-motivated individuals is critical to the successful execution of its business strategy, and compensation is a critical element of this process. The activities of the Remuneration Committee have been guided by this principle.

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

The Remuneration Committee determines and recommends to the Board the remuneration of new and existing Executive Directors, the Executive Team, and both 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.

Non-executive Directors' remuneration comprises of a basic fee. Where Non-executive Directors take on additional responsibilities including, chairmanships or Committee memberships, an additional fee is payable.

Non-executives do not participate in the share-based awards, nor do they receive any pension benefits from the Company. The Company has entered into a Letter of Appointment with each of its Non-executive Directors. Each appointment is normally for a three-year term and includes a provision that either party may terminate the appointment on giving six months' notice. Only Dr A F Martin qualifies for any additional 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 by law.

The dates of the Letters of Appointment effective during the year for the Non-executive Directors who served during the year ended 31 March 2014 were:

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 B Wittek resigned from the Board on 6 March 2014.

New Letters of Appointment for Dr A F Martin, Dr E D Blair and Mr R Sackers were issued subsequent to the year end. The dates of these Letters are 17 April 2014, 17 April 2014 and 23 April 2014 respectively.

Each Non-executive appointment is normally for a three-year term and may be renewed in accordance with the Articles of Association of the Company.

The aggregate amount of fees paid to Non-executive Directors during the year ended 31 March 2014 was £215,000 (2013: £186,000).

Executive Directors' remuneration

The Remuneration Committee determines remuneration policy and practices with the aim of attracting, motivating and retaining high-calibre Executive Directors and an Executive Team to deliver value for shareholders and high levels of customer service, safety and reliability in an efficient and responsible manner. The Remuneration Committee consulted with third parties to obtain further advice on the structuring and benchmarking of the Executive Directors' and Executive Team's remuneration. While the Committee retains the flexibility to use other measures where circumstances require, its remuneration policies continue to be framed around the following key components:

The total remuneration package seeks to balance:

- fixed remuneration, being base salary plus benefits in kind,
- performance-related rewards in the form of the bonus arrangements, 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 or equivalent monetary compensation and a contribution to a defined contribution pension scheme.

Directors' remuneration report

Performance-related rewards

- The Company operates an annual bonus plan. It is structured as a capped arrangement with the maximum pay out ("the cap") defined as a percentage of the individual's base salary. The respective ratios were again determined by benchmarking based on data on comparable listed companies plus evaluation of additional medtech companies.
- As a result of this benchmarking exercise the Remuneration Committee approved a maximum bonus of 60% of base salary for the Chief Executive Officer, up to 40% of base salary for the Group Finance Director and for the Executive Team up to 40% of basic salary.
- The Remuneration Committee attempts to set stretch targets for Executive Directors and the Executive Team. We define stretch targets as performance that is clearly above average internally and above the level of internal performance implied by competitors.
- Circa 70% of the maximum bonus for Executive Directors, the Executive Team and Senior Managers is linked to corporate performance metrics and the balance to individual performance metrics. The maximum bonus for Management is based upon 50% corporate performance and 50% 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 wherever possible.
- Full pay out for financial corporate targets is achieved when the numerical targets have been met. Full pay out 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 that could not have been foreseen or overachievement in other goals.
- In the financial year 2013/14 actual bonus payments of 70% to 100% of the cap were made. The Remuneration Committee believes that this is a reasonable situation given the financial performance of the Group. The Committee retains its right to provide special discretionary bonuses where deemed appropriate.

Long-term incentives

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

The review of compensation policy with respect to share-based awards undertaken in September 2010, adopted the following ABI guidelines on the value of option grants (Para 8.1):

"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)."

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 issue 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 Chief Executive Officer

b) 80% of base salary for the Group Finance Director

c) Up to 40% of base salary for other Executive Team members

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

The Remuneration Committee also reviewed the performance conditions attached to the options. Historically, and for options issued prior to the 2010 review which are currently unexercised, they had been set at Earnings per Share ("EPS") going up by 20% or at least at the rate of Consumer Price Index ("CPI") if greater. The Company no longer allows the performance period to be extended in the event that the performance conditions are not met, for options granted since November 2013.

Share Option Plan (SOP)
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 Plan. Awards are not pensionable and are not transferable, except upon death.

Other share incentive schemes
The Company has operated discretionary share option arrangements and other vesting arrangements, which were put in place prior to the Company's admission to AIM 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 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 the Retail Price Index ("RPI") 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 RPI over the same period by a specified percentage. If the excess is 20% or greater in respect of the first three years of the Performance Period then the performance condition is 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 SOP. If the performance condition is not met, the options lapse and are not subject to the rebasing conducted as recently as the financial year 2012/13.

Fair value and share-based payment expense
Full details of the valuation of share options are given in Note 34 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 2014 is shown below. No Director took part in discussions or decisions relating to their own remuneration.

	2014 Remuneration					Pension	
	Salary £000	Bonus £000	Benefits £000	Total £000	2013 £000	2014 £000	2013 £000
Executive Directors' (salary)							
Dr P O Dahlen[4]	256	131	38	425	281	26	19
Mr C H F Yates	170	53	10	233	20	18	–
Dr M L Garrity[1]	36	–	2	38	222	4	17
Mr A Rousseau[2]	38	11	1	50	199	–	–
Mr C I Cookson	–	–	–	–	106	–	5
Dr R T Duggan	–	–	–	–	70	–	6
Mr G T Murray	–	–	–	–	137	–	11
Total – Executive	500	195	51	746	1,035	48	58

Directors' remuneration report

	2014 Remuneration					Pension	
	Salary £000	Bonus £000	Benefits £000	Total £000	2013 £000	2014 £000	2013 £000
Non-executive Directors' (fees)							
Dr A F Martin	**96**	**–**	**–**	**96**	76	**–**	–
Dr E D Blair	**41**	**–**	**–**	**41**	32	**–**	–
Mr R Sackers	**50**	**–**	**–**	**50**	40	**–**	–
Dr B Wittek[3]	**28**	**–**	**–**	**28**	30	**–**	–
Dr P O Dahlen	**–**	**–**	**–**	**–**	8	**–**	–
Total – All Directors	**715**	**195**	**51**	**961**	1,221	**48**	58

Notes:
(1) Dr M Garrity resigned as a Director on 20 June 2013 and received £169,500 as compensation
(2) Mr A Rousseau resigned as a Director on 20 June 2013
(3) Dr B Wittek resigned as a Director on 6 March 2014
(4) £22,500 of Dr P Dahlen's 2013 bonus was deferred to 2014, of which £15,000 was paid on 30 May 2014

Share awards and options granted to Directors

Details of share options held by Directors during the financial year ended 31 March 2014 are set out in the table below:

Director	At 01.04.13	Granted in year	Exercised in year	Forfeited in year	At 31.03.14	Exercise price (p)	Grant date	Earliest exercise date	Expiry date
Dr P O Dahlen	163,773	–	–	–	163,773	305.30	30.11.12	30.11.15	30.11.22
Dr M L Garrity	67,623	–	67,623	–	–	–	–	–	–
	132,377	–	132,377	–	–	–	–	–	–
	20,000	–	–	20,000	–	–	–	–	–
	44,546	–	–	44,546	–	–	–	–	–
Mr A Rousseau	66,554	–	–	–	66,554	236.50	23.06.09	21.06.13	22.06.19
	133,446	–	–	–	133,446	189.50	25.03.08	25.03.11	25.03.18
	44,546	–	–	–	44,546	305.30	30.11.12	30.11.15	30.11.22
Mr C H F Yates	–	48,746	–	–	48,746	279.00	03.04.13	03.04.16	03.04.23

Aggregate gains made by former Directors on the exercise of share options were £1,289,000 (2013: £nil). No gains were made by Directors whilst still a Director of the Company.

All share options were granted under the SOP.

By order of the Board.

Dr E D Blair
Chairman, Remuneration Committee

23 June 2014

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. The Directors are responsible for preparing the Directors' report and the Strategic report.

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 Systems Holdings PLC for the year ended 31 March 2014 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 37. 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 45, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Strategic report and 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

23 June 2014

Consolidated income statement

for the year ended 31 March 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Revenue	2		**52,263**		49,772
Cost of sales			**(13,347)**		(13,401)
Gross profit			**38,916**		36,371
Distribution costs			**(10,185)**		(8,143)
Administrative expenses					
Exceptional items					
Restructuring costs		**(1,160)**		–	
Strategic review costs		**(244)**		–	
Nattopharma legal defence costs		**(139)**		–	
Impairment of development costs		**(317)**		(465)	
Retirement of development costs		**–**		(794)	
Impairment of other receivable		**–**		1,505	
Other administrative expenses		**(18,613)**		(18,461)	
			(20,473)		(18,215)
Profit from operations	4		**8,258**		10,013
Finance income	7		**141**		67
			8,399		10,080
Finance costs	8		**(64)**		(43)
Profit before tax			**8,335**		10,037
Income tax expense	9		**(1,382)**		(2,238)
Profit for the year attributable to owners of the parent			**6,953**		7,799
Earnings per share					
From continuing operations					
Adjusted basic	11		**28.7p**		27.2p
Basic	11		**24.0p**		27.5p
Diluted	11		**23.7p**		27.2p

Consolidated statement of comprehensive income

for the year ended 31 March 2014

	2014 £000	2013 £000
Profit for the year	**6,953**	7,799
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Currency translation differences	**(1,411)**	689
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before tax:	**(1,411)**	689
Tax relating to items credited to equity	**(66)**	(145)
Other comprehensive income, net of tax:	**(1,477)**	544
Total comprehensive income for the year attributable to owners of the parent	**5,476**	8,343

Consolidated balance sheet

Company Registration No. 05146193

31 March 2014

	Notes	2014 £000	2013 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**9,161**	9,977
Goodwill	14	**16,016**	16,346
Other intangible assets	15	**32,680**	33,864
Investments	17	**–**	–
Deferred tax assets	23	**1,752**	2,776
Other non-current assets	18	**314**	294
		59,923	63,257
Current assets			
Inventories	19	**6,458**	5,879
Trade and other receivables	20	**7,239**	9,321
Income tax assets		**2,151**	1,146
Cash and cash equivalents	20	**26,690**	19,565
		42,538	35,911
Total assets		**102,461**	99,168
Liabilities			
Current liabilities			
Trade and other payables	21	**7,096**	8,787
Income tax liabilities		**267**	425
Provisions	24	**292**	150
Deferred income	25	**105**	1,525
		7,760	10,887
Net current assets		**34,778**	25,024
Non-current liabilities			
Repayable grants	12	**1,533**	1,564
Provisions	24	**850**	859
Deferred tax liabilities	23	**5,732**	6,065
		8,115	8,488
Total liabilities		**15,875**	19,375
Net assets		**86,586**	79,793
Total equity			
Called up share capital	28	**583**	567
Share premium account	29	**31,809**	30,041
Other reserves	30	**4,624**	6,101
Retained earnings	31	**49,570**	43,084
Equity attributable to owners of the parent		**86,586**	79,793

The financial statements on pages 47 to 79 were approved by the Board of Directors and authorised for issue on 23 June 2014 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 2014

	Notes	2014 £000	2013 £000
Operating activities			
Cash generated from operations	32	**13,824**	21,361
Income taxes paid		**(1,535)**	(3,005)
Net cash from operating activities		**12,289**	18,356
Investing activities			
Contingent consideration	24	**–**	(105)
Purchases of other intangible assets		**(3,698)**	(2,256)
Disposals of other intangible assets		**(50)**	–
Purchases of property, plant and equipment		**(2,226)**	(2,639)
Disposals of property, plant and equipment		**(82)**	(13)
Interest received		**141**	67
Net cash used by investing activities		**(5,915)**	(4,946)
Financing activities			
Proceeds from issue of shares for cash		**1,784**	–
Repayments of borrowings		**–**	(4,152)
Repayments of hire purchase obligations		**–**	(10)
Interest paid		(64)	(43)
Dividends paid		**(866)**	(779)
Net cash used by financing activities		**854**	(4,984)
Effect of exchange rate differences		**(103)**	108
Net increase in cash and cash equivalents		**7,125**	8,534
Cash and cash equivalents at beginning of year		**19,565**	11,031
Cash and cash equivalents at end of year		**26,690**	19,565

Consolidated statement of changes in equity

for the year ended 31 March 2014

	Called up share capital (Note 28) £000	Share premium account (Note 29) £000	Other reserves (Note 30) £000	Retained earnings (Note 31) £000	Total £000
At 1 April 2012	567	30,041	5,557	36,180	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)	(26)
Share-based payments	–	–	–	(90)	(90)
Dividends paid	–	–	–	(779)	(779)
At 31 March/1 April 2013	567	30,041	6,101	43,084	79,793
Profit for the year	–	–	–	6,953	6,953
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	–	–	(1,411)	–	(1,411)
Tax effect of treatment of foreign currency transaction differences	–	–	(66)	–	(66)
Total comprehensive income	–	–	(1,477)	6,953	5,476
Transactions with owners					
Tax benefit on exercise of share options	–	–	–	358	358
Share-based payments	–	–	–	41	41
Dividends paid	–	–	–	(866)	(866)
Shares issued in the year	16	1,768	–	–	1,784
At 31 March 2014	**583**	**31,809**	**4,624**	**49,570**	**86,586**

Notes to the consolidated financial statements

for the year ended 31 March 2014

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.

1. Accounting policies continued

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.

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

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

e) Revenue recognition

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

Revenue received or receivable from royalties is recognised on an accruals basis, as it can be reliably predicted based on previous regular receipts.

Licence income is recognised in different ways dependent upon the relevant agreement. Licence income is spread over a period where the associated activity spans that period. Where licence income is dependent upon the achievement of a specific action, it is recognised when that action is complete.

f) 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. The Group considers it has one single cash-generating unit ("CGU"), being the entirety of the business.

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

Notes to the consolidated financial statements

for the year ended 31 March 2014

1. Accounting policies continued

g) 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.

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 ten years. Development costs incurred on the ERP system are amortised over five years from the time the relevant part of 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 (up to 16 years).

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 2014, the annual re-assessment of useful lives resulted in an extra amortisation charge for the year of £nil (2013: £nil).

h) 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.

1. Accounting policies continued

h) Property, plant and equipment continued

Depreciation is charged on all property, plant and equipment, with the exception of freehold land, at varying rates calculated to write off the cost or fair value of assets 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.

i) 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 CGU to which the asset belongs. Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

j) Lease commitments

As a lessee

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.

As a lessor

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.

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 rental 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.

Notes to the consolidated financial statements

for the year ended 31 March 2014

1. Accounting policies continued

k) 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.

l) 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.

m) 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 the 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.

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.

1. Accounting policies continued

m) Financial instruments continued

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 – representing the nominal value of equity shares.
- Share premium – representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Retained earnings – including all current and prior period results as disclosed in the income statement.
- Merger reserve – representing the share premium and capital redemption reserve in existence in the subsidiary at the date of merger.
- Currency translation reserve – representing the accumulated currency translation differences on the net investment in foreign subsidiaries.

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 while 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.

n) 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.

o) 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.

Notes to the consolidated financial statements

for the year ended 31 March 2014

1. Accounting policies continued

p) 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.

q) 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.

r) 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.

1. Accounting policies continued

Development costs
Development expenditure is capitalised as an intangible asset when recognition criteria are met and, in particular, it is clear that the development expenditure will generate future economic benefit. The development of the IDS-iSYS instrument and a range of tests to be run on it are 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.

s) 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. The net book value of tangible fixed assets in the Group balance sheet is £9,161,000 (2013: £9,977,000). The net book value of goodwill and other tangible assets is £48,696,000 (2013: £50,210,000).

Share-based payments
In calculating the fair value of equity-settled share-based payments using the Black-Scholes option pricing model, the Directors are required to exercise their judgement in determining input parameters which may have a material effect on the fair value calculated. These parameters are detailed in Note 34.

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.

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. The total carrying value in the balance sheet as at 31 March 2014 of deferred tax assets is £1,752,000 (2013: £2,776,000).

Notes to the consolidated financial statements

for the year ended 31 March 2014

1. Accounting policies continued

s) Key sources of estimation uncertainty continued

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 instalments 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. The net book value of development costs relative to assay and instrument development as at 31 March 2014 is £15,853,000 (2013: £15,645,000).

t) Exceptional items

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

u) Standards not yet effective

The Directors do not expect any of the standards below that are issued but not yet effective for IDS 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)
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 IAS 32 Offsetting of Financial Assets and Financial Liabilities (effective for accounting periods commencing on or after 1 January 2014)
Annual Improvements to IFRSs issued on May 2012 (various effective dates).

IDS has complied with the amendment to IAS 1 in the year, impacting the presentation of the Statement of Comprehensive Income.

2. Revenue

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

	2014 £000	2013 £000
Automated revenue (IDS-iSYS)		
25OH vitamin D	**10,860**	11,399
Other specialty	**7,285**	3,823
Operating lease rental	**4,227**	3,266
Total automated	**22,372**	18,488
Manual revenue		
25OH vitamin D	**8,468**	12,133
Other specialty	**12,310**	13,213
Total manual	**20,778**	25,346
Instrument revenue	**3,043**	2,866
Other income	**6,070**	3,072
	52,263	49,772
Finance income	**141**	67

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

Other income primarily relates to royalty and licence income.

3. Segmental information

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.

During the year there has been significant restructuring of the Group. This included the recruitment of a number of executives with vast, relevant experience of the industry, who each have responsibility for a specific function of the business, for example assay production, research & development and marketing. At a Group level, the business is now directed and monitored on this functional basis. The Group finance function was also restructured to support this approach with Group accountants allocated to partner particular functions.

Analysis of revenue is prepared and monitored on a geographical basis due to the organisation of the sales teams as well as by product type. However earnings on a geographical basis are not considered the most appropriate measure of performance given the differing nature of operations across the different territories. All earnings, balance sheet and cash flow information received and reviewed by the Board of Directors is prepared at a Group level. As a result of this change in the structure and operation of the business, the Group has determined that it has one operating segment as defined under IFRS 8, being the whole of the Group.

As a result of this change no further detailed segmental information is provided in this note.

Revenues from customers located in individual countries are as follows:

	2014 £000	2013 £000
UK (country of domicile)	2,705	1,923
US	16,011	18,721
Germany	7,086	5,509
France	5,782	6,744
Other	20,679	16,875
Total revenue	52,263	49,772

Non-current assets, excluding deferred tax and goodwill located in individual countries is as follows:

	2014 £000	2013 £000
UK (country of domicile)	10,363	10,016
France	10,017	10,369
Belgium	12,149	13,977
Other	9,626	9,773
Total	42,155	44,135

4. Profit from operations

Profit from operations is stated after charging (crediting):

	2014 £000	2013 £000
Amortisation of government grants re fixed assets	(17)	(16)
Amortisation of other intangible assets	4,164	4,079
Impairment of other intangible assets	317	384
Loss on disposal of other intangible assets	–	453
Loss on disposal of owned property, plant and equipment	82	13
Depreciation of owned property, plant and equipment	2,682	2,403
Depreciation of assets held under hire purchase agreements	–	12
Operating lease costs	845	727
Share-based payments/(income)	41	(90)
Other staff costs	18,136	16,250
Cost of inventories recognised as an expense	3,205	4,683
Write downs of inventories recognised as an expense	1,638	1,538
Net loss/(gain) on foreign currency translation of trading items	469	(17)
Gain on foreign currency translation of contingent consideration	–	(6)
Research and development	2,161	2,379
Auditor's remuneration (see below)	169	147

Notes to the consolidated financial statements

for the year ended 31 March 2014

4. Profit from operations continued

Amounts payable to Ernst & Young LLP and their associates in respect of both audit and non-audit services:

	2014 £000	2013 £000
Audit services		
– statutory audit of parent and consolidated accounts	139	138
Other services relating to taxation		
– compliance services	30	9
	169	147

5. Particulars of employees

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

	2014 No.	2013 No.
Production staff	130	122
Distribution staff	95	86
Research and development staff	54	51
Administrative staff	49	48
	328	307

The aggregate payroll cost of the above was:

	2014 £000	2013 £000
Wages and salaries	13,920	12,849
Social security costs	3,168	3,067
Other pension costs	221	334
Share-based payments	41	(90)
Restructuring costs	827	–
	18,177	16,160

For the year ended 31 March 2014, of staff costs, £3,610,000 (2013: £3,896,000) has been included in cost of sales, £6,663,000 (2013: £5,307,000) in distribution costs and £7,078,000 (2013: £6,957,000) in administrative expenses.

6. Directors' emoluments

	2014 £000	2013 £000
Emoluments receivable	961	1,221
Value of Company pension contributions to money purchase schemes	48	58
	1,009	1,279

	2014 No.	2013 No.
Number of Directors accruing benefits under money purchase schemes	3	5

Details of individual Director's emoluments are shown in the Directors' remuneration report on pages 43 and 44.

7. Finance income

	2014 £000	2013 £000
Bank interest receivable	141	54
Exchange gain on foreign currency borrowings	–	13
	141	67

8. Finance costs

	2014 £000	2013 £000
Interest payable on bank borrowing	14	41
Other similar charges payable	50	2
	64	43

9. Taxation on ordinary activities

a) Analysis of charge in the year

	2014 £000	2013 £000
Current tax:		
UK Corporation tax based on the results for the year at 23% (2013: 24%)	540	2,359
Over provision in prior year	(360)	(28)
Foreign tax on income	547	127
Total current tax	727	2,458
Deferred tax:		
Capital allowances	(19)	(1,033)
Other	(510)	(413)
Tax losses carried forward	1,019	958
Deferred tax on share-based payments charge	(9)	83
Under provision in prior year	174	185
Total deferred tax (Note 23)	655	(220)
Tax on profit on ordinary activities	1,382	2,238

In addition, total current and deferred tax of £292,000 has been charged to equity in respect of items credited/charged directly to equity (2013: £171,000 credited to equity).

b) Factors affecting tax charge

The tax assessed for the period is lower (2013: lower) than the standard rate of corporation tax in the UK, 23% (2013: 24%). The differences are explained below.

	2014 £000	2013 £000
Profit on ordinary activities before taxation	8,335	10,037
Profit on ordinary activities by rate of tax in the UK of 23% (2013: 24%)	1,917	2,409
Income not taxable/expenses not deductible for tax purposes	(173)	202
Additional relief for R&D expenditure	(523)	(984)
Foreign profits taxable at different rates	255	(37)
Losses carried forward	809	472
Losses brought forward utilised	(456)	(64)
Relief for employee share option award	–	73
Effect of change in tax rate on deferred tax balances	(264)	107
Exchange differences on deferred tax	3	68
Tax in respect of prior periods	(186)	(8)
Total tax charge at an effective rate of 16.6% (2013: 22.2%)	1,382	2,238

Notes to the consolidated financial statements

for the year ended 31 March 2014

10. Dividends

On 23 August 2013, a dividend of 3.0p (2013: 2.75p) per share was paid to shareholders. In respect of the current year, the Directors propose that a dividend of 8.5p per share will be paid to shareholders on 22 August 2014. 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 2014 is payable to all shareholders on the Register of Members on 25 July 2014. The total estimated dividend is £2,479,000.

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 2014, 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.

	2014 £000	2013 £000
Profit on ordinary activities after tax	**6,953**	7,799
Weighted average number of shares:	**No.**	**No.**
For basic earnings per share	**28,955,485**	28,336,915
Effect of dilutive potential ordinary shares:		
– Share options	**335,092**	315,637
For diluted earnings per share	**29,290,577**	28,652,552
Basic earnings per share	**24.0p**	27.5p
Diluted earnings per share	**23.7p**	27.2p

	2014 £000	2013 £000
Profit on ordinary activities after tax as reported	**6,953**	7,799
Exceptional items after tax	**1,351**	(93)
Profit on ordinary activities after tax as adjusted	**8,304**	7,706
Adjusted basic earnings per share	**28.7p**	27.2p
Adjusted diluted earnings per share	**28.4p**	26.9p

12. Financial instruments recognised in the balance sheet

Year ended 31 March 2014	Loans and receivables £000
Non-current financial assets	
Financial asset investments	314
Current financial assets	
Trade and other receivables	5,615
Cash and cash equivalents	26,690
	32,305
Total	32,619

	Other financial liabilities £000
Current financial liabilities	
Trade and other payables	5,730
Non-current financial liabilities	
Repayable grants	1,533
Total	7,263

The repayable grant of £1,533,000 (2013: £1,564,000) relates to Walloon Government Grants.

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

Notes to the consolidated financial statements

for the year ended 31 March 2014

13. Property, plant and equipment

	Property £000	Fixtures, fittings and equipment £000	IDS-iSYS systems £000	Motor vehicles £000	Total £000
Cost					
At 1 April 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
Exchange differences	(23)	(108)	(437)	–	(568)
Reclassifications	–	482	(482)	–	–
Additions	78	884	1,654	–	2,616
Disposals	(19)	(63)	(629)	–	(711)
At 31 March 2014	**2,553**	**7,215**	**9,707**	**9**	**19,484**
Depreciation					
At 1 April 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
Exchange differences	(11)	(66)	(131)	–	(208)
On reclassifications	–	301	(301)	–	–
Charge for the year	278	860	1,542	2	2,682
On disposals	(18)	(27)	(276)	–	(321)
At 31 March 2014	**1,984**	**4,593**	**3,737**	**9**	**10,323**
Net book value					
At 31 March 2014	**569**	**2,622**	**5,970**	**–**	**9,161**
At 31 March 2013	782	2,495	6,698	2	9,977
At 1 April 2012	1,308	2,644	5,586	4	9,542

14. Goodwill

	£000
Cost	
At 1 April 2012	17,776
Exchange differences	16
Reassessment of earn-out liability	(479)
At 31 March 2013	17,313
Exchange differences	(330)
At 31 March 2014	**16,983**
Amortisation	
At 1 April 2012	967
Charge for the year	–
At 31 March 2013	967
Charge for the year	–
At 31 March 2014	**967**
Net book value	
At 31 March 2014	**16,016**
At 31 March 2013	16,346
At 1 April 2012	16,809

For the year ended 31 March 2013, the Group monitored goodwill on a geographic basis, allocating the £16.3m of goodwill to cash-generating units (CGUs) of US, Europe and Rest of World.

During the year there has been significant restructuring of the Group. This included the recruitment of a number of executives with vast, relevant experience of the industry, who each have responsibility for specific functions of the business, for example assay production, research & development and marketing. At a Group level, the business is now directed and monitored on this functional basis. The Group finance function was also restructured to support this approach with Group accountants allocated to partner particular functions. As explained in Note 3 the Board now monitors the business at a Group level and IDS now has only one operating segment. As a consequence of this, there are now no smaller CGUs which are identifiable and for which goodwill is monitored for internal management purposes. Goodwill is now only monitored at a whole Group level. As a result of this change in the structure and operation of the business, goodwill is now allocated to a single CGU, being the entirety of the Group, and is tested for impairment at this overall Group level.

The Group performed its annual impairment tests as at 31 January 2014. Cash flow projections based on financial budgets for the next financial year and prudent estimates for subsequent years based on key assumptions were used.

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

- Specific forecasts for the remainder of the current financial year
- Budget for the next financial year
- For years 2-6:
  – Revenue growth rate of 1% pa
  – Gross margins of 75%
  – Overhead growth rate of 1% pa
- For years 7-10 a terminal value is applied assuming no further growth
- Discount rate applied is 10.5% (2013: 10.5%)

Sensitivity to changes in assumptions

Sensitivity analysis has been undertaken for the CGU to assess the impact of any reasonable possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

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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 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
Exchange differences	(247)	(425)	–	(672)
Additions – externally acquired	–	184	–	184
Additions – internally generated	3,151	–	463	3,614
Impairment	(380)	–	–	(380)
Disposals	–	(50)	–	(50)
Reclassifications	40	97	(137)	–
At 31 March 2014	**24,325**	**24,968**	**1,116**	**50,409**
Amortisation				
At 1 April 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
Exchange differences	(67)	(143)	–	(210)
Charge for the year	2,452	1,712	–	4,164
Impairment	(64)	–	–	(64)
Disposals	–	(10)	–	(10)
Reclassifications	35	(35)	–	–
At 31 March 2014	**8,472**	**9,257**	**–**	**17,729**
Net book value				
At 31 March 2014	**15,853**	**15,711**	**1,116**	**32,680**
At 31 March 2013	15,645	17,429	790	33,864
At 1 April 2012	17,712	18,774	340	36,826

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

16. Subsidiary undertakings

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

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

	2014 £000	2013 £000
At 1 April	–	4
Impairments	–	(4)
31 March	–	–

The subsidiary Immunodiagnostic Systems Limited owns the following shares of the companies listed below:

Perinatal Diagnostics Limited (incorporated in England) – 41%
Pyrronostics Limited (incorporated in Scotland) – 33%

These companies are immaterial and are therefore accounted for as investments, and are fully impaired at 31 March 2014 (and at 31 March 2013).

18. Other non-current assets

Other loans and receivables	2014 £000	2013 £000
At 1 April	294	234
Additions	62	60
Transfer to other intangible assets	(33)	–
Repaid	–	(3)
Exchange differences	(9)	3
At 1 April and 31 March	314	294

19. Inventories

	2014 £000	2013 £000
Raw materials	2,880	2,686
Work in progress	1,587	1,321
Finished goods	1,991	1,872
	6,458	5,879

Inventories are stated after charging net provisions of £1,577,000 (2013: £1,545,000) for impairment of inventories held by subsidiary undertaking.

Included within inventories are spare parts of £1,118,000 (2013: £1,323,000) net of provisions.

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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:

	2014 £000	2013 £000
Trade receivables	5,486	7,481
VAT recoverable	202	74
Other receivables	372	253
Prepayments and accrued income	1,422	1,645
	7,482	9,453
Allowance accounts for trade receivables	(243)	(132)
	7,239	9,321

The average credit period taken on sale of goods is 32 days (2013: 47 days). An allowance has been made for estimated irrecoverable amounts from sale of goods of £243,000 (2013: £132,000). 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 that 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:

	2014 £000	2013 £000
Balance at 1 April	132	2,933
Increase in allowance for trade receivables	146	4
Amounts received previously provided		
Trade receivables	(6)	(10)
Other receivables	–	(1,505)
Amounts written off other receivables previously provided	(29)	(1,290)
Allowance for trade receivables	243	132
Balance at 31 March	243	132

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.

	2014 £000	2013 £000
Up to three months	957	2,250
Over three months	47	1
	1,004	2,251

An analysis of receivables by currency is as follows:

	2014 £000	2013 £000
Sterling	1,674	1,644
Euros	3,596	4,989
US Dollars	1,835	2,418
Danish Kroner	134	270
	7,239	9,321

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

Cash and cash equivalents of £26,690,000 (2013: £19,565,000) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates to their fair value.

21. Other financial liabilities

Trade and other payables are as follows:

	2014 £000	2013 £000
Trade payables	**1,901**	3,615
Other taxation and social security	**1,366**	1,543
Other payables	**176**	31
Accruals	**3,653**	3,598
	7,096	8,787

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2013: 50 days).

An analysis of payables by currency is as follows:

	2014 £000	2013 £000
Sterling	**2,464**	2,672
Euros	**3,490**	4,767
US Dollars	**1,076**	1,232
Danish Kroner	**66**	116
	7,096	8,787

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

22. 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 £221,000 (2013: £334,000). 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 2014 is £350,000 (2013: £359,000), and is included in provisions (Note 24).

Notes to the consolidated financial statements

for the year ended 31 March 2014

23. Deferred taxation

	2014 £000	2013 £000
The movement in the deferred taxation provision during the year was:		
Provision brought forward	3,289	3,536
Income statement movement arising during the year	655	(220)
	3,944	3,316
Deferred tax recognised on employee share options in excess of charge to the income statement charged directly to equity	(30)	(27)
Deferred tax transferred from reserves	66	–
Provision carried forward	3,980	3,289

The provision is split as follows in the balance sheet:

	2014 £000	2013 £000
Deferred tax assets	1,752	2,776
Deferred tax liabilities	(5,732)	(6,065)
	(3,980)	(3,289)
The elements of deferred taxation are as follows:		
Excess of taxation allowances over depreciation on fixed assets	7,766	7,623
Other timing differences	(1,441)	(938)
Tax losses carried forward	(2,345)	(3,396)
	3,980	3,289

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 £2,440,000 (2013: £2,039,000).

24. Provisions

	Earn-out liability £000	Retirement provision £000	Warranty provision £000	Dilapidation provision £000	Total £000
At 1 April 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 year	–	102	(261)	–	(159)
At 31 March 2013	–	359	150	500	1,009
Reassessment of liability					
Foreign exchange gain	–	(7)	(3)	–	(10)
Utilised in year	–	(52)	–	–	(52)
Increase in year	–	50	145	–	195
At 31 March 2014	**–**	**350**	**292**	**500**	**1,142**
At 31 March 2014					
Included in current liabilities	–	–	292	–	292
Included in non-current liabilities	–	350	–	500	850
	–	**350**	**292**	**500**	**1,142**
At 31 March 2013					
Included in current liabilities	–	–	150	–	150
Included in non-current liabilities	–	359	–	500	859
	–	359	150	500	1,009

24. Provisions continued

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, and the earn-out period was completed in the year ended 31 March 2013.

The retirement provision is described in Note 22.

The warranty provision relates to warranties given for the first year of operation of IDS-iSYS systems. This is reassessed each year. It is expected that these costs will be incurred in line with normal warranty terms of one year from the placement of the instrument.

The dilapidations provision relates to leased buildings in Boldon, UK and at its earliest will be required to be settled in July 2015.

25. Deferred income

	2014 £000	2013 £000
Government grants	62	80
Licence income	43	1,445
	105	1,525

Government grants	2014 £000	2013 £000
Received and receivable:		
At 1 April	877	879
Exchange differences	(16)	(2)
At 31 March	861	877
Amortisation:		
At 1 April	797	784
Credit to income statement	17	16
Exchange differences	(15)	(3)
At 31 March	799	797
Net balance at 31 March	62	80

Licence income	2014 £000	2013 £000
Received and receivable:		
At 1 April	1,686	–
Received in the year	82	1,715
Exchange differences	(36)	(29)
At 31 March	1,732	1,686
Released to income statement:		
At 1 April	241	–
Credit to income statement	1,484	246
Exchange differences	(36)	(5)
At 31 March	1,689	241
Net balance at 31 March	43	1,445

26. Commitments under operating leases

At 31 March 2014 the Group had commitments under non-cancellable operating leases as set out below.

	2014		2013	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Amounts payable:				
Within 1 year	428	253	281	305
Within 2 to 5 years	67	222	259	271
	495	475	540	576

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27. Related party transactions

Trading transactions

There were no transactions between the Group and its associated undertakings in either the current or the prior financial year. 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 £42,000 (2013: £48,000) were paid to Mr A Rousseau during the year. As previously reported, Mr Rousseau also received €600,000 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. With the exception of Mr Rousseau, who was deemed a related party for the whole of the financial year, the Board of IDS, having consulted with Peel Hunt LLP, considered 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 £158,000 (2013: £185,000) were paid to Arteion SAS, a company of which Mr Rousseau is a Director, and Diagnostica Stago is a shareholder, for R&D software services. The contracts for these services were on normal commercial terms.

The Company also recognised £28,095 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 £125,000 (2013: £167,000) and the income statement charge in respect of share-based payments to Directors was £30,000 (2013: credit £123,000).

28. Share capital

The total premium received on the issue of shares during the year was £1,768,000 (2013: £nil); no expenses were incurred in relation to the issue of the shares.

	2014 £000	2013 £000
Equity shares		
Authorised:		
75,000,000 (2013: 75,000,000) Ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2014 £000	2013 £000
Allotted, called up and fully paid:		
Ordinary shares of £0.02 each		
28,336,915 (2013: 28,336,915) in issue at 1 April	**567**	567
Issued on the exercise of share options:	**16**	–
29,161,915 (2013: 28,336,915) in issue at 31 March	**583**	567

29. Share premium

	2014 £000	2013 £000
Balance brought forward	**30,041**	30,041
Premium on shares issued during the year	**1,768**	–
At 31 March	**31,809**	30,041

30. Other reserves

	2014 £000	2013 £000
Merger reserve	**583**	583
Currency translation reserve		
Balance brought forward as previously reported	**5,965**	5,421
Restated to Retained Earnings[1]	**(447)**	(447)
Balance brought forward as restated	**5,518**	4,974
Foreign exchange translation differences on foreign currency net investment in subsidiaries	**(1,411)**	689
Tax effect of treatment of foreign currency translation differences	**(66)**	(145)
At 31 March	**4,041**	5,518
	4,624	6,101

[1] An amount of £447,000 has been restated from the Currency Translation Reserve to Retained Earnings, previously recorded incorrectly in the Currency Translation Reserve.

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

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.

31. Retained earnings

	2014 £000	2013 £000
Balance brought forward as previously reported	**41,787**	34,767
Restated from Currency Translation Reserve[1]	**447**	447
Other reserves amalgamated with retained earnings[2]	**850**	966
As restated	**43,084**	36,180

[1] An amount of £447,000 has been restated from the Currency Translation Reserve to Retained Earnings, previously recorded incorrectly in the Currency Translation Reserve.

[2] As permitted, the Company now recognises the share-based payments reserve within Retained earnings. There is no requirement to show the share-based payments reserve separately and on the grounds of materiality the Company has decided to amalgamate this with retained earnings.

All other movements in retained earnings are detailed in the Consolidated Statement of Changes in Equity.

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

	2014 £000	2013 £000
Profit before tax	**8,335**	10,037
Adjustments for:		
Depreciation of property, plant and equipment	**2,682**	2,415
Amortisation, impairment and retirement of intangible assets	**4,470**	5,392
Loss on disposal of property, plant and equipment	**82**	13
Share-based payment charge	**41**	(90)
Movements of deferred grants	**–**	100
Finance income	**(141)**	(67)
Finance costs	**64**	43
Operating cash flows before movements in working capital	**15,533**	17,843
(Increase)/decrease in inventories	**(779)**	1,737
(Increase)/decrease in receivables	**1,774**	(1,524)
(Decrease)/increase in payables and provisions	**(2,704)**	3,305
Cash generated by operations	**13,824**	21,361

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33. Capital commitments

Amounts contracted for but not provided in the financial statements are £nil (2013: £nil).

34. 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 2013	2014
Share Options Agreements	Dec 04	51.0p	22.12.07	22.12.14	8,345	**8,345**
Unapproved Scheme	Sep 07	241.5p	03.09.10	03.09.17	90,970	**–**
	Mar 08	189.5p	25.03.11	25.03.18	447,739	**133,446**
	Jun 09	236.5p	22.06.12	22.06.19	407,939	**124,662**
	Feb 11	852.5p	03.02.14	03.02.21	20,000	**–**
	Jan 12	309.5p	30.01.15	30.01.22	30,000	**–**
	Nov 12	305.3p	30.11.15	30.11.22	320,995	**234,523**
	Apr 13	279.0p	03.04.16	03.04.23	–	**64,117**
	Oct 13	460.1p	03.10.16	03.10.23	–	**7,400**
	Oct 13	460.1p	14.10.16	14.10.23	–	**6,960**
EMI Share Scheme	Dec 04	51.0p	22.12.07	22.12.14	33,361	**33,361**
	Sep 07	241.5p	03.09.10	03.09.17	41,407	**–**
	Mar 08	189.5p	25.03.11	25.03.18	52,770	**–**
	Jun 09	236.5p	22.06.12	22.06.19	42,283	**–**
Total					1,495,809	**612,814**

The market price of the shares at 31 March 2014 was 495.0p and the range during the year was 282.0p to 589.5p.

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

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 44.

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 44.

Performance conditions in relation to the EMI Scheme and the Unapproved Share Option Scheme are set out in the Directors' remuneration report on page 43.

Share-based payments

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

	2014 Number of share options	2014 Weighted average exercise price	2013 Number of share options	2013 Weighted average exercise price
At 1 April	**1,495,809**	**240.5p**	1,394,134	232.4p
Granted during the year	**78,477**	**312.1p**	320,995	305.3p
Forfeited during the year	**136,472**	**386.4p**	219,320	305.3p
Exercised during the year	**825,000**	**216.4p**	–	–
Outstanding at 31 March	**612,814**	**249.7p**	1,495,809	240.5p
Exercisable at 31 March	299,814	189.8p	1,124,814	264.5p

34. Share-based payments continued

The weighted average share price at the date of exercise of the options was 435.6p (2013: no share options exercised).

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:

	2014	2013
Risk free interest rate	**0.9%**	1.8%
Expected volatility	**49.71%**	51.3%
Expected option life in years	**3 years**	3 years
Expected dividend yield	**0.9%**	1%
Weighted average share price	**318.8p**	312.2p
Weighted average exercise price	**312.1p**	305.3p
Weighted average fair value of options granted	**96.9p**	108.5p

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

The total fair value of options granted in the year was £83,000 (2013: £348,000).

The options outstanding at 31 March 2014 had an exercise price between 51p and 460.1p (2013: between 51p and 872.5p), and a weighted average remaining contractual life of 6.5 years (2013: 6.3 years).

During 2013/14, the Group recognised total share-based payment charges of £41,000 (2013: income £90,000) all of which related to equity-settled share-based payment transactions. After deferred tax the charge was £23,000 (2013: income £68,000).

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

	£000
P Dahlen	(60)
C Yates	(15)
M Garrity	49
A Rousseau	(4)
	(30)

35. 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 £21,810,000 (2013: £10,866,000), Euro cash deposits of £3,018,000 (2013: £5,614,000), US Dollar cash deposits of £1,617,000 (2013: £3,026,000), Danish Kroner cash deposits of £155,000 (2013: £146,000) and Brazilian Real cash deposits of £65,000 (2013: £nil) that 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.

Liquidity risk

The Group is cash positive in its operations and is expected to be 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.

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35. Financial risk management continued

Foreign currency risk

The Group has subsidiary undertakings, which operate in the US 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 2014 these exposures are as follows:

	Net foreign currency monetary assets/(liabilities)				
Functional currency of Group operation	Sterling £000	US Dollar £000	Euro £000	DKK £000	Total £000
Sterling	–	1,338	1,908	122	3,368
	–	1,338	1,908	122	3,368

The exposures at 31 March 2013 for comparison purposes were as follows:

	Net foreign currency monetary assets/(liabilities)				
Functional currency of Group operation	Sterling £000	US Dollar £000	Euro £000	DKK £000	Total £000
Sterling	–	2,102	5,042	–	7,144
	–	2,102	5,042	–	7,144

The following table demonstrates the sensitivity to a possible change in Sterling against the US Dollar and Euro exchange rates with all other variables held constant:

	Changes in Sterling vs other currency rates	Effect on profit before tax	Effect on equity
2014			
US Dollar/Sterling	+ 5%	752	264
	– 5%	(752)	(264)
Euro/Sterling	+ 5%	164	1,501
	– 5%	(164)	(1,501)
DKK/Sterling	+ 5%	(3)	820
	– 5%	3	(820)
2013			
US Dollar/Sterling	+ 5%	818	340
	– 5%	(818)	(340)
Euro/Sterling	+ 5%	174	1,643
	– 5%	(174)	(1,643)
DKK/Sterling	+ 5%	5	912
	– 5%	(5)	(912)

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

	2014 £000	2013 £000
In one year or less	5,835	9,778
In more than one years but not more than five years	929	851
In more than five years	604	713
	7,368	11,342

The amounts due in more than one year relate to the Walloon Grant. All other financial liabilities are due in one year or less.

35. Financial risk management continued

Borrowing facilities
The Group had no undrawn committed borrowing facilities at 31 March 2014.

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.

36. 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 that 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 2014 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 US, 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 of which €300,000 is due upon receipt of 510(k) clearance for TRAP products in the US, 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 US.
- The Group has a potential liability of €15,000 to a company for successful conversion of one of their manual assays for use on the IDS-iSYS.

37. Post-balance sheet events

On 18 April 2014, certain Directors were issued with new bonus arrangements, which, in accordance with accounting disclosure rules, are to be treated as cash-settled share-based instruments. These 212,519 cash-settled share-based instruments, reflected an average exercise price of £2.99, which in pre-defined circumstances could substitute previously granted options. These instruments would be cash settled and therefore avoid additional shareholder dilution. These Directors were also granted additional 98,184 cash-settled share-based instruments, at an exercise price of £4.27, which are exercisable based on pre-defined terms and performance measures set by the Remuneration Committee. Further, under certain circumstances, certain cash bonuses up to a maximum of £427,500 in total may also become payable to these Directors within this defined period and within the predefined terms set by the Remuneration Committee.

Company balance sheet

for the year ended 31 March 2014

Company Registration No. 05146193

	Notes	2014 £000	2013 £000
Fixed assets			
Property, plant and equipment	2	**87**	15
Intangible assets	3	**1,227**	838
Investments	4	**49,188**	49,188
		50,502	50,041
Current assets			
Debtors due within one year	5	**10,004**	10,005
Cash at bank and in hand		**23,994**	16,026
		33,998	26,031
Creditors			
Amounts falling due within one year	6	**43,538**	38,701
Net current liabilities		**(9,540)**	(12,670)
Total assets less current liabilities		**40,962**	37,371
		40,962	37,371
Capital and reserves			
Called up share capital	8	**583**	567
Share premium account	9	**31,809**	30,041
Other reserves	10	**323**	843
Profit and loss account	11	**8,247**	5,920
Shareholders' funds	12	**40,962**	37,371

The financial statements on pages 80 to 86 were approved by the Board of Directors and authorised for issue on 23 June 2014 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 2014

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	3-10 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

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:

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the project is technically feasible;
- the project is commercially viable;
- future revenues will exceed the development cost; and
- adequate resources exist to complete the project.

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 are amortised over five years from the time the relevant part of the system goes live.

Purchased intangible assets

Purchased intangible assets are measured initially at cost and amortised on a straight-line basis over the economic life embedded within the patient registration or 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 2014

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
Additions	81
At 31 March 2014	**97**
Depreciation	
At 1 April 2012	–
Charge for the year	1
At 31 March 2013	1
Charge for the year	9
At 31 March 2014	**10**
Net book value	
At 31 March 2014	**87**
At 31 March 2013	15
At 1 April 2012	–

3. Intangible assets

	Licences and product technology £000	Assets under construction £000	Total £000
Cost			
At 1 April 2012	53	124	177
Additions	3	666	669
At 31 March/1 April 2013	56	790	846
Additions	1	463	464
Disposals	(50)	–	(50)
Reclassifications	137	(137)	–
At 31 March 2014	**144**	**1,116**	**1,260**
Amortisation			
At 1 April 2012	–	–	–
Charge for the year	8	–	8
At 31 March/1 April 2013	8	–	8
Charge for the year	35	–	35
On disposals	(10)	–	(10)
At 31 March 2014	**33**	**–**	**33**
Net book value			
At 31 March 2014	**111**	**1,116**	**1,227**
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 2014

4. Investments

	Investment in subsidiary undertakings £000
Cost	
At 1 April 2012	49,667
Reassessment of earnout liability	(479)
At 31 March/1 April 2013	49,188
At 31 March 2014	**49,188**
Net book value	
At 31 March 2014	**49,188**
At 31 March 2013	49,188
At 31 March 2012	49,667

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 developing, manufacturing and distributing medical diagnostic products.

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 providing services to another Group company, Immunodiagnostic Systems GmbH.

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 diagnostic test kits in particular for use on the Group's automated platform. That Company also performs research and development services for the Group.

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 developing, manufacturing and distributing automated instruments and the distribution of the Group's products in France and Belgium.

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

	2014 £000	2013 £000
Amounts owed by Group undertakings	**9,833**	9,746
Corporation tax receivable	**–**	78
Prepayments and accrued income	**140**	82
Deferred tax asset (see Note 7)	**31**	99
	10,004	10,005

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

	2014 £000	2013 £000
Trade creditors	119	107
Amounts due to Group undertakings	42,506	37,559
Corporation Tax payable	31	99
Accruals and deferred income	882	936
	43,538	38,701

7. Deferred taxation

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

	2014 £000	2013 £000
The movement in deferred tax during the year was:		
Asset brought forward	99	211
Profit and loss account movement arising during the year	(68)	(112)
Total deferred tax	(68)	(112)
Asset carried forward	31	99

8. Share capital

	2014 £000	2013 £000
Equity shares		
Authorised:		
75,000,000 Ordinary shares of £0.02 each	1,500	1,500
	1,500	1,500

	2014 £000	2013 £000
Allotted, called up and fully paid:		
29,161,915 (2013: 28,336,915) Ordinary shares of £0.02 each	583	567
	583	567

During the year the Company issued a total of 825,000 ordinary shares of 2p each, which were issued between 190.0p and 241.5p on the exercise of share options. The total premium received on the issue of shares during the year was £1,768,000 (2013: £nil).

9. Share premium

	2014 £000	2013 £000
Balance brought forward	30,041	30,041
Premium on shares issued during the year	1,768	–
At 31 March	31,809	30,041

Notes to the Company financial statements

the year ended 31 March 2014

10. Other reserves

	2014 £000	2013 £000
Share options reserve		
Balance brought forward	843	933
Charge for the year	41	(90)
Transfer for options exercised in the year	(561)	–
At 31 March	323	843

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

11. Profit and loss account

	2014 £000	2013 £000
Balance brought forward	5,920	395
Profit for the financial year	2,408	6,304
Transfer from share options reserve	561	–
Tax recognised on share-based payments	224	–
Dividends paid	(866)	(779)
At 31 March	8,247	5,920

12. Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Profit for the financial period	2,408	6,304
Dividends paid	(866)	(779)
Tax recognised on share-based payments	224	–
Share based payments charged to equity reserve	41	(90)
	1,807	5,435
Issue of shares	1,784	–
Net addition to shareholders' funds	3,591	5,435
Opening shareholders' equity funds	37,371	31,936
Closing shareholders' equity funds	40,962	37,371
Total shareholders' funds	40,962	37,371

13. Share-based payments

Full disclosures of the Group's EMI and Unapproved Share Option Schemes are given in Note 34 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 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.

ACTH
Adrenocorticotropic hormone (ACTH), also known as corticotropin, is a hormone produced and secreted by the anterior pituitary gland. ACTH is often produced in response to biological stress. Its principal effects are increased production and release of corticosteroids. Addison's disease occurs when adrenal gland production of cortisol is chronically deficient, resulting in chronically elevated ACTH levels; when a pituitary tumor is the cause of elevated ACTH this is known as Cushing's Disease.

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.

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.

Endocrinology
Endocrinology is a branch of biology and medicine dealing with the endocrine system, its diseases, and its specific secretions called hormones. It also covers the integration of developmental events proliferation, growth, and differentiation and also the psychological or behavioural activities of metabolism, growth and development, tissue function, sleep, digestion, respiration, excretion, mood, stress, lactation, movement, reproduction, and sensory perception as caused by hormones. The medical specialty of endocrinology involves the diagnostic evaluation of a wide variety of symptoms and variations and the long-term management of disorders of deficiency or excess of one or more hormones. Most endocrine disorders are chronic diseases that need lifelong care. Some of the most common endocrine diseases include diabetes mellitus, hypothyroidism and the metabolic syndrome.

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.

Glossary

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.

hgH
Growth hormone (GH or HGH) is a peptide hormone that stimulates growth, cell reproduction and regeneration. It is synthesized, stored, and secreted by cells within the lateral wings of the anterior pituitary gland. The effects of growth hormone deficiency vary depending on the age at which they occur. In children, growth failure and short stature are the major manifestations of GH deficiency, with common causes including genetic conditions and congenital malformations. Excessive GH can cause excessive growth, traditionally referred to as pituitary gigantism.

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.

IGF-1
Insulin-like growth factor 1 (IGF-1) is a hormone that plays an important role in childhood growth and continues to have anabolic effects in adults. IGF-1 is produced primarily by the liver as well as in target tissue. Measurement, and management, of IGF-1 levels over time is useful for the management of several types of pituitary disease, under-nutrition, and growth problems.

IGFBP-3
Insulin-like growth factor binding protein-3 (IGFBP-3) is a peptide produced by the liver. It is the most abundant of a group of IGFBPs that transport, and control bioavailability and half-life of insulin-like growth factors (IGF), in particular IGF-1, the major mediator of the anabolic- and growth-promoting effects of growth hormone (GH). IGFBP-3 and IGF-1 serum levels therefore represent a stable and integrated measurement of hgH production.

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

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.

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.

Officers and professional advisors

Directors

Dr A F Martin	Non-executive Chairman
Dr P O Dahlen	Chief Executive Officer
Mr C H F Yates	Group Finance Director
Dr E D Blair	Non-executive Director
Mr R Sackers	Non-executive Director

Secretary
Mr A J Davison

Registered Office
10 Didcot Way
Boldon Business Park
Boldon
Tyne & Wear
NE35 9PD

Auditor
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Banker
Barclays Bank PLC
PO Box 37871
Grey Street
Newcastle upon Tyne
NE99 7JP

Solicitors
Covington & Burling LLP
265 Strand
London
WC2R 1BH

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

PR advisor
FTI Consulting LLP
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Registrar
Computershare Investor Services PLC
Corporate Actions PO Box 859
The Pavilions
Bridgwater Road
Bristol
BS99 1XZ

Nominated advisor and broker
Peel Hunt LLP
120 London Wall
London
EC2Y 5ET

Designed and produced by FTI Consulting LLP www.fticonsulting.com
Printed by PurePrint Group Ltd

UK
10 Didcot Way
Boldon Business Park
Boldon
Tyne & Wear
NE35 9PD
UK
Tel: +44 (0) 191 519 0660
Fax: +44 (0) 191 519 0760
Email: info.uk@idsplc.com

Belgium
101, rue Ernest Solway
B 4000 Liège
Belgium
Tel: +32 (0) 4 252 2636
Fax: +32 (0) 4 252 51 96
Email: info.be@idsplc.com

France
153 Avenue d'Italie
75013 Paris
France
Tel: +33 (0) 1 40 77 04 50
Fax: +33 (0) 1 40 77 04 55
Email: info.fr@idsplc.com

Germany
Mainzer Landstrasse 49
60329 Frankfurt am Main
Germany
Tel: +49 (0) 69 3085 5025
Fax: +49 (0) 69 3085 5125
Email: info.de@idsplc.com

Nordic
International House
Center Boulevard 5
2300 Copenhagen S
Denmark
Tel: +45 44 84 00 91
Email: info.nordic@idsplc.com

US
Suite 948
940 Clopper Road
Gaithersburg
Maryland 20879
US
Tel: +45 (0) +1 877-852-6210
Fax: +45 (0) +1 301-990-4236
Email: info.us@idsplc.com

Brazil
Rua dos Pinheiros
No. 610, suite 41
Pinheiros
05422-001
São Paulo
Brazil
Tel: +55 113 7406 100
Fax: +55 113 7406 105
Email: info.br@idsplc.com