25 November 2014

Immunodiagnostic Systems Holdings PLC
Interim Results for the six month period ended 30 September 2014

Continued execution of strategy to build sustainable growth

Immunodiagnostic Systems Holdings plc ("IDS", "the Group" or "the Company"), a leading solution provider to the clinical laboratory diagnostic market, today announces its unaudited interim results for the six month period ended 30 September 2014 ("H1 2015").

Financial Summary

- Revenue of £22.1m in H1 2015 (H1 2014: £26.9m), in line with trading update of 14 October 2014
- Automated revenues (IDS-iSYS), 46% of overall revenues, of £10.3m (H1 2014: £11.2m) impacted, as previously flagged, by instrument returns and continued pricing pressure on 25OH Vitamin D assay
- Revenues from manual tests, 36% of overall revenues, of £7.9m (H1 2014: £11.4m)
- Adjusted* EBIT of £3.2m (H1 2014: £5.2m) before exceptional items. Statutory EBIT of £2.7m (H1 2014: £4.1m)
- Adjusted* basic EPS of 8.3p (H1 2014:15.3p); basic EPS of 7.7p (H1 2014: 12.6p)
- Net cash flow from operations of £5.0m (H1 2014: £6.6m)
- Closing cash and cash equivalents of £22.7m (31 March 2014: £26.7m) following acquisition of Diametra and payment of increased dividend

* before exceptional costs of £0.5m (H1 2014: £1.1m)

Operational Summary

- Continued execution of the Group's strategic plan to expand endocrinology and generalist assay menu
- Development of next generation of IDS-iSYS instrument proceeding according to plan
- Further instrument development milestones achieved crystallising €1m license payment in May 2014
- Acquisition of Diametra, an Italian company specialising in the development and manufacture of steroid hormone manual assays, development of fertility panel of automated assays underway
- Expanding geographic reach:
    - Registration of IDS-iSYS instrument in China and first order of 25 IDS-iSYS instruments from Leadman, IDS's Chinese partner
    - Registration of first six IDS-iSYS automated assays in Brazil and first placements of IDS-iSYS instruments in Brazil
- Cost control and management streamlining initiatives underway
- Total instrument placements of 15 (H1 2014: 45) with 8 net direct placements (H1 2014: 16) and 7 net OEM/distributor placements (H1 2014: 29)

Dr Patrik Dahlen, CEO, of IDS, commented:

"Good progress continues to be made on the execution of our strategic plan launched earlier this year in response to a challenging trading environment that looks set to continue in the near term. Our strong operational cash flow and solid cash position means we are well placed to continue to execute on our Plan. As previously communicated, the Plan entails the expansion of our automated assay menu and the launch of our new automated instrument and we remain confident that these will be the catalysts for sustainable revenue growth going forwards."

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About Immunodiagnostic Systems Holdings PLC

The Group's vision is to be a leading solution provider to the clinical laboratory diagnostic market. IDS's strategy is focused on developing, internally and through partnership, its automated assay menu for its proprietary automated immunoassay analyser, the IDS-iSYS system. Internally, the Group is focused on developing an endocrinology excellence menu and externally, IDS works with partners to develop assay panels in complementary indication fields. The Group sells its products primarily in the clinical laboratory market across a range of customers from reference laboratories to physician office laboratories. IDS has field sales forces in certain European countries, including France and Germany, the United States and Brazil and works with distributors in other markets including China, Italy and Spain.

http://www.idsplc.com

Chief Executive's Statement

The last six months have been extremely challenging for IDS. The reasons behind this disappointing performance were identified as part of the strategic review undertaken in early 2014 and underline the need to execute our strategic plan and where possible, accelerate its implementation through acquisition.

Strategic plan

IDS's vision is to be a leading solution provider to the clinical laboratory diagnostics market. The central tenet of this strategy is to build out our automated assay menu through internal development and partnership. Internally, our focus will be on building our "endocrinology excellence" menu. Our partnerships will focus on developing a broader range of assays in complementary clinical areas.

Broadening our automated assay menu

We anticipate the European launch of our fully automated 1,25 dihydroxy vitamin D assay by the end of the calendar year. The 1,25 Xp, will offer customers significant workflow and efficiency benefits as it automates the pre-treatment phase of the assay process.

We also expect European product launches which will broaden our hypertension panel (ACTH, cortisol) and our bone panel (Bone TRAP and MGP) in the first half of the next calendar year. Following the acquisition of Diametra, we are also working on the launch of a fertility panel, (free testosterone, estradiol and 17OH progesterone), in 2015. We continue to work on further FDA clearances for our bone markers: osteocalcin, BAP and P1NP and our hypertension markers: aldosterone.

Outside of our core clinical areas our partnerships continue to progress well.

In March 2011, we granted Omega Diagnostics Group plc ("Omega") a worldwide licence to develop and distribute allergy tests on the IDS-iSYS automated instrument. Good progress has been made and Omega anticipate launching the first wave of 40 allergens in 2015 eventually increasing the range of allergens tested to 150. IDS has the option to be appointed the exclusive distributor for these allergy assays in its direct territories.

The R&D collaboration with Beijing Leadman Biochemistry Technology Co, Ltd ("Leadman") was signed in May 2013 and over the initial three-year period of the agreement the target is to convert over 50 of Leadman's proprietary immunoassays for use on the IDS-iSYS instrument in China and potentially worldwide. We were pleased to announce in August 2014 that we had received notice that the China Food and Drug Administration ("CFDA") has approved the Company's IDS-iSYS automated immunoassay instrument for sale in the Chinese market. Approval from the CFDA of the first 30 Leadman assays for use on the IDS-iSYS instrument has now been received. The Chinese in vitro diagnostic ("IVD") market is worth approximately $5 billion, recently becoming the second largest IVD market in the world.

Developing the next generation of our IDS-iSYS instrument

We have progressed the development of the next generation of the IDS-iSYS instrument ("Mark II") with a target of commercial launch in the first half of calendar 2015. We believe the launch of the Mark II alongside the expanded assay menu will be the two key catalysts to sustainable revenue growth. The Mark II is expected to be significantly cheaper to manufacture and will be a "trackable" instrument.

We are currently in the process of manufacturing our "zero series" of 25 Mark II instruments which we will be using to generate "substantial equivalence" assay performance data compared to the current IDS-iSYS instrument. If we can prove "substantial equivalence" then this should allow a relatively quick and simplified regulatory approval process.

We are developing the Mark II with Diagnostica Stago ("Stago"), our development partner. Following the achievement of a key project milestone we received a license payment of €1m from Stago in May 2014. The delivery of the first prototype Mark II instrument to Stago, which we anticipate will be in December 2014, will also crystallise a further milestone, generating an R&D contribution cash payment of €0.5m by Stago to IDS. This payment will offset IDS's R&D expenditure, rather than being treated as revenue.

Expanding our geographical reach

Our current areas of geographic expansion are Brazil and China. In China, we were pleased to receive the first order for 25 IDS-iSYS instruments from our Chinese partner, Leadman, for delivery by the end of this calendar year. During the period of the 3 year distribution agreement Leadman have committed to minimum IDS-iSYS instruments purchases which could lead to over 300 instruments being placed by Leadman and its sub-distributors in the Chinese market.

In Brazil, we have established a small direct sales and technical support operation, and received notification of the Brazilian registration of the first 6 IDS-iSYS automated assays in November 2014 and also placed our first instruments. Our Brazilian operations will act as a hub for further expansion into the South American market.

Streamlining and simplifying the Group's operations

As stated at the time of the September 2014 trading statement, the Board is conscious of the need to maintain a level of cost control and drive efficiencies and the Board is actively considering a number of opportunities to streamline and simplify the Group's operations. A number of initiatives have been completed. Jorge Cerda has retired as Group Operations Director with Michael Hunter promoted from Site Manager to replace Jorge. We would like to wish Jorge an enjoyable retirement and thank him for his significant input over the past 12 months.

In addition, we are in the process of reviewing the Group's IT strategy and in particular the ERP system. The options being considered include continuing the current ERP implementation or alternatively focusing on smaller IT system projects, integrating cloud applications with on-premises applications, driven at a functional level.

We are also reviewing, *inter alia*, our sales and marketing structure with a view to integrating these functions to drive improved near-term revenue performance of both our manual and automated revenues. Further initiatives are underway and an update will be provided in due course.

Financial review

Group revenues were £22.1m (H1 2014: £26.9m) with gross profit of £16.4m (H1 2014: £19.9m) with a gross margin percentage of 74.3% (H1 2014: 74.2%).

Adjusted EBIT was £3.2m (H1 2014: £5.2m) before exceptional costs of £0.5m (H1 2014: £1.1m). Statutory EBIT was £2.7m (H1 2014: £4.1m). The Group achieved £3.2m of adjusted profit before tax (H1 2014: £5.2m) and statutory profit before tax of £2.8m (H1 2014: £4.1m).

Cash generated from operations was £5.0m (H1 2014: £6.6m). Cash and cash equivalents were £22.7m as at 30 September 2014.

	H1 2015 **£000**	H1 2014 £000	2014 £000
Revenue	**22,114**	**26,874**	52,263
Gross profit	**16,433**	**19,938**	38,916
Gross margin	**74.3%**	**74.2**%	74.5%
Operating costs pre-exceptionals	**(9,909)**	**(11,006)**	(21,952)
Depreciation and amortisation	**(3,359)**	**(3,753)**	(6,846)
EBIT pre-exceptionals	**3,165**	**5,179**	10,118
Exceptional costs	**(475)**	**(1,085)**	(1,860)
EBIT post-exceptionals	**2,690**	**4,094**	8,258

Automated revenues accounted for 46.4% of overall revenues (H1 2014: 41.8%), manual revenues 35.9% (H1 2014: 42.2%), instrument revenues 4.0% (H1 2014: 5.9%) and other income (including royalties) 13.7% (H1 2014: 10.1%).

	H1 2015 £000	H1 2014 £000	Full Year 2014 £000	% change
Automated revenue (IDS-iSYS)				
25OH vitamin D	**4,029**	**5,602**	10,860	(28%)
Other specialty	**3,965**	**3,550**	7,285	12%
Operating lease rental	**2,263**	**2,079**	4,227	9%
Total automated	**10,257**	**11,231**	22,372	(9%)
Manual revenue				
25OH vitamin D	**2,998**	**4,912**	8,468	(39%)
Other specialty	**4,940**	**6,440**	12,310	(23%)
Total manual	**7,938**	**11,352**	20,778	(30%)
Instrument revenue	**888**	**1,577**	3,043	(44%)
Other income	**3,031**	**2,714**	6,070	12%
	22,114	**26,874**	52,263	(18%)

Automated revenues

Automated revenues were £10.3m (H1 2014: £11.2m) to represent 46.4% of Group revenues (H1 2014: 41.8%). Other speciality automated tests accounted for 38.7% of the Group's automated revenues (H1 2014: 31.6%) and grew by 11.7% compared to H1 2014. Automated 25OH Vitamin D revenues declined by 28.1% to £4.0m (H1 2014: £5.6) due to continued price pressure, coupled with a number of returns of 25OH Vitamin D only IDS-iSYS instruments.

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 £5.2m to £4.0m and Other Specialty from £5.1m to £4.0m. Total operating lease income increased from £2.1m in H1 2014 to £2.3m in H1 2015.

In H1 2015, direct instrument placements were 8 (net of returns) (H1 2014: 16). Direct instruments are those sold or placed with reagent rental IDS end-user customers in the Group's core markets of the USA and Europe (excluding distributor territories of Spain and Italy). The total number of instruments placed (directly or through distributors) and sold to OEM partners was 15 (H1 2014: 45).

	H1 2015	H1 2014	Full Year 2014
Direct – net placements	**8**	**16**	**35**
Direct – installed base to date	**306**	**279**	**298**
Distributor – gross placements	**4**	**9**	**28**
Distributor – placements to date	**109**	**86**	**105**
OEM sales and partners	**5**	**20**	**29**

Overall in our direct territories our gross placement levels were broadly in line with recent levels. However, we saw an increased level of returns, predominantly in France but also in both the USA and Germany. Our French operation continued to see high level of returns as the clinical laboratory market continued to consolidate. In Germany, we performed satisfactorily but the key near-term drive of placements in Germany will be the European launch of the 1,25 Xpress assay. Our USA gross and net placement levels in H1 2015 were also disappointing; particularly in light of the improved placement performance we had seen in the final quarter of Q4 2013/14. We are in the process of reviewing the Group's sales management structure and integrating our sales and marketing teams more closely in order to drive near-term performance of both our automated and manual revenues.

Average revenue per direct instrument ("ARPI") was £64k per annum (calculated on a rolling 12-month basis) (H1 2014: £71,000, 31 March 2014: £71,000). This decline was due predominantly to the return of a number of high throughput Vitamin D only IDS-iSYS instruments in both France and the United States.

Manual test revenue

Manual revenues declined to £7.9m (H1 2014: £11.4m) due mainly to the continued decline in manual 25OH vitamin D revenues to £3.0m (H1 2014: £4.9m). Aside from manual 25OH vitamin D, our portfolio of other manual products generated revenues of £4.9m (H1 2014: £6.4m).

Instrument revenue

The Group generated £0.9m of revenue (H1 2014: £1.6m) from the sale of instruments and other instrument related revenues.

Other income

Other income was £3.0m (H1 2014: £2.7m) and represented 13.7% of total revenue (H1 2014: 10.1%). Other income was made up of the Stago license fee of £0.8m (H1 2014: £0.7m) and the royalties payable by a significant OEM customer of £2.2m (H1 2014: £2.0m). This OEM customer also contributed £0.7m (H1 2014: £0.5m) to manual revenues through the sale of antibodies.

Overheads

The Group's total overheads comprise:

	H1 2015	H1 2014	Full Year 2014
	£000	£000	£000
Sales and distribution	**4,905**	**4,899**	10,185
Research and development (net of capitalisation)	**788**	**1,221**	2,161
Other administration costs (net of capitalisation)	**4,216**	**4,886**	9,606
Operating overheads	**9,909**	**11,006**	21,952
Depreciation	**1,223**	**1,334**	2,682
Amortisation	**2,136**	**2,419**	4,164
Pre-exceptional overheads	**13,268**	**14,759**	28,798
Exceptional costs	**475**	**1,085**	1,860
Total overheads	**13,743**	**15,844**	30,658

Operating overheads decreased by 10.0% to £9.9m (H1 2014: £11.0m) reflecting a 13.7% reduction in administration costs.

Development project costs are capitalised once all the recognition criteria of IAS 38 Intangible Assets are met. The total amount of development cost overheads capitalised was £1.6m in H1 2015 compared to £1.4m in H1 2014. H1 2014 capitalisation was lower due to the €0.5m Stago R&D contribution received in that period which offset capitalisation.

Finance income

Net finance income was £0.1m (H1 2014: £0.0m).

Exceptional items

The Group incurred exceptional costs of £0.5m during the period (H1 2014: £1.1m).

These included £0.1m of costs in relation to a significant restructuring of the Group's operations which was undertaken in 2013/14 and involved a number of senior management changes as well as the restructuring and relocation of the United States sales office. The majority of this restructuring charge was incurred in the year ended 31 March 2014 with £1.2m being incurred in the previous financial year.

In addition, £0.4m of legal and financial due diligence costs were incurred in the period relating to transaction costs with £0.2m in relation to the acquisition of Diametra in September 2013 and £0.2m of transaction costs relating to an aborted transaction process which ended in October 2014.

Taxation

The Group's effective tax rate for the current period is based on an estimate of the rate for the full financial year and is 19% (2014: 17%). Before prior year adjustments and the effect of rate changes, the effective rate is 21% (2014: 22%).

Foreign exchange

In the period 39% of the Group's revenues were denominated in US Dollars, 49% Euros, 10% Sterling and 2% Other currencies.

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

Average exchange rates	H1 2014	H1 2013	2014	Weakening against Sterling H1
Sterling : US Dollar	**1.68**	**1.53**	**1.58**	9.8%
Sterling : Euro	**1.24**	**1.17**	**1.19**	6.0%

The effect of these exchange rate changes on the results for the year is to decrease reported revenue by £1.5m.

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 8.3p (H1 2014: 15.3p). Basic earnings per share is 7.7p (H1 2014: 12.6p).

Cash flow

IDS generated net cash flows from operations of £5.0m (H1 2014: £6.6m). As at 30 September 2014, the Group had cash and cash equivalents of £22.7m (30 September 2013: £24.3m; 31 March 2014: £26.7m).

Outlook

The near-term trading conditions for the Group remain challenging but we strongly believe that the path to sustainable growth is through execution of the Group's strategic plan. We will continue to pursue our two key objectives of increasing the breadth and depth of our assay menu and launching the Mark II IDS-iSYS instrument and we look forward to keeping shareholders updated on further progress in these areas.

Unaudited consolidated interim income statement
For the six month period to 30 September 2014

	Note	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
		£000	£000	£000
Revenue	**2**	**22,114**	**26,874**	**52,263**
Cost of Sales		(5,681)	(6,936)	(13,347)
Gross Profit		**16,433**	**19,938**	**38,916**
Distribution costs		(4,905)	(4,899)	(10,185)
Administrative expenses				
Exceptional items	3			
Restructuring costs		(67)	(768)	(1,160)
Transaction costs		(408)	-	-
Impairment of development costs		-	(317)	(317)
Strategic review costs		-	-	(244)
Nattopharma legal defence costs		-	-	(139)
Other administrative expenses		(8,363)	(9,860)	(18,613)
Profit from operations		**2,690**	**4,094**	**8,258**
Finance income		91	73	141
		2,781	**4,167**	**8,399**
Finance costs		(10)	(56)	(64)
Profit before tax		**2,771**	**4,111**	**8,335**
Income tax expense	5	(519)	(493)	(1,382)
Profit for the period attributable to owners of the parent		**2,252**	**3,618**	**6,953**
Earnings per share				
From continuing operations				
Adjusted basic	4	8.3p	15.3p	28.7p
Basic	4	7.7p	12.6p	24.0p
Diluted	4	7.6p	12.4p	23.7p

Unaudited interim statement of other comprehensive income

For the six month period to 30 September 2014

	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
	£000	**£000**	**£000**
Profit for the period	**2,252**	**3,618**	**6,953**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences	(2,861)	(555)	(1,411)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before tax:	**(2,861)**	**(555)**	**(1,411)**
Tax relating to items credited to equity	-	-	(66)
Other comprehensive income, net of tax	**(2,861)**	**(555)**	**(1,477)**
Total comprehensive income for the period attributable to owners of the parent	**(609)**	**3,063**	**5,476**

Unaudited consolidated interim balance sheet

As at 30 September 2014

	Note	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
		£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment		10,691	9,331	9,161
Goodwill		17,187	16,250	16,016
Other intangible assets		31,479	33,006	32,680
Deferred tax assets		984	2,126	1,752
Other non-current assets		276	263	314
		60,617	60,976	59,923
Current assets				
Inventories		7,465	6,659	6,458
Trade and other receivables		7,232	7,618	7,239
Income tax assets		2,355	1,334	2,151
Cash and cash equivalents		22,671	24,316	26,690
		39,723	39,927	42,538
Total assets		100,340	100,903	102,461
Liabilities				
Current liabilities				
Short-term borrowings		424	-	-
Trade and other payables		6,467	8,355	7,096
Income tax liabilities		514	401	267
Provisions	6	171	149	292
Deferred income		68	801	105
		7,644	9,706	7,760
Net current assets		32,079	30,221	34,778
Non-current liabilities				
Long-term borrowings		1,383	-	-
Repayable grants		1,449	1,554	1,533
Provisions	6	948	866	850
Deferred tax liabilities		5,419	5,171	5,732
		9,199	7,591	8,115
Total liabilities		16,843	17,297	15,875
Net assets		**83,497**	**83,606**	**86,586**
Total equity				
Called up share capital	7	584	580	583
Share premium account	7	31,825	31,470	31,809
Other reserves		1,763	5,546	4,624
Retained earnings		49,325	46,010	49,570
Equity attributable to owners of the parent		**83,497**	**83,606**	**86,586**

Unaudited consolidated interim cash flow statement
For the six month period to 30 September 2014

	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
	£000	£000	£000
Profit before tax	2,771	4,111	8,335
Adjustments for:			
Depreciation of property, plant and equipment	1,223	1,334	2,682
Amortisation, impairment and retirement of intangible assets	2,153	2,419	4,470
Loss (profit) on disposal of property, plant and equipment	130	(105)	82
Share based payment expense	57	41	41
Movements of deferred grants	-	(10)	-
Finance income	(91)	(73)	(141)
Finance costs	10	56	64
Operating cash flows before movements in working capital	6,253	7,773	15,533
Decrease (increase) in inventories	(893)	(886)	(779)
Decrease (increase) in receivables	784	1,575	1,774
Increase (decrease) in payables and provisions	(1,018)	(1,025)	(2,704)
Cash generated by operations	5,126	7,437	13,824
Income taxes paid	(121)	(799)	(1,535)
Net cash from operating activities	**5,005**	**6,638**	**12,289**
Investing activities			
Acquisition of subsidiary (net of cash acquired)	(2,429)	-	-
Purchases of other intangible assets	(2,150)	(1,600)	(3,748)
Purchases of property, plant and equipment	(1,542)	(809)	(2,460)
Disposals of property, plant and equipment	67	112	152
Interest received	91	73	141
Net cash used by investing activities	**(5,963)**	**(2,224)**	**(5,915)**
Financing activities			
Proceeds from issue of shares for cash	17	1,442	1,784
Repayments of borrowings	(26)	-	-
Interest paid	(10)	(56)	(64)
Dividends paid	(2,479)	(866)	(866)
Net cash used by financing activities	**(2,498)**	**520**	**854**
Net (decrease) / increase in cash and cash equivalents	**(3,456)**	**4,934**	**7,228**
Effect of exchange rate differences	**(563)**	**(183)**	**(103)**
Cash and cash equivalents at beginning of period	26,690	19,565	19,565
Cash and cash equivalents at end of period	**22,671**	**24,316**	**26,690**

Unaudited consolidated statement of changes in equity

	Share capital	Share premium account	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000
At 1 April 2014	583	31,809	4,624	49,570	86,586
Profit for the period	-	-	-	2,252	2,252
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	(2,861)	-	(2,861)
Transactions with owners					
Share based payments	-	-	-	57	57
Tax recognised on share based payments charged to equity reserves	-	-	-	(75)	(75)
Dividend Paid	-	-	-	(2,479)	(2,479)
Shares issued in the period (net of expenses)	1	16	-	-	17
At 30 September 2014	584	31,825	1,763	49,325	83,497
At 1 April 2013	567	30,041	6,101	43,084	79,793
Profit for the period	-	-	-	3,618	3,618
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	(555)	-	(555)
Transactions with owners					
Share based payments	-	-	-	41	41
Tax benefit on exercise of share options	-	-	-	133	133
Dividend Paid	-	-	-	(866)	(866)
Shares issued in the period (net of expenses)	13	1,429	-	-	1,442
At 30 September 2013	580	31,470	5,546	46,010	83,606
At 1 April 2013	567	30,041	6,101	43,084	79,793
Profit for the period	-	-	-	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 translation differences	-	-	(66)	-	(66)
Transactions with owners					
Share based payments	-	-	-	41	41
Tax benefit on exercise of share options	-	-	-	358	358
Dividend Paid	-	-	-	(866)	(866)
Shares issued in the period (net of expenses)	16	1,768	-	-	1,784
At 31 March 2014	583	31,809	4,624	49,570	86,586

Notes to the Interim Financial Statements
For the six month period to 30 September 2014

1 Basis of preparation
The condensed financial statements for the six months ended 30 September 2014 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2014. The condensed financial information has been prepared using the same accounting policies and methods of computation used to prepare the Group's Annual Report for the year ended 31 March 2014 that are described on pages 52 to 60 of that report which can be found on the Group's website at www.idsplc.com. The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union.

There are no new standards or interpretations mandatory for the first time for the financial year ending 31 March 2015 that have a material effect on the half year results. The financial information for the six months ended 30 September 2014 and the comparative financial information for the six months ended 30 September 2013 has not been audited, but has been reviewed by the auditors. The comparative financial information for the year ended 31 March 2014 has been extracted from the 2014 Annual Report & Accounts. The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and does not reflect all of the information contained in the Group's Annual Report and financial statements. The annual financial statements for the year ended 31 March 2014, which were approved by the Board of Directors on 23 June 2014, received an unqualified audit report, did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

2 Revenue and segmental information
The main activity of the Group is the development, manufacture and distribution of medical diagnostic products. As described on page 61 of the 2014 Annual Report & Accounts, 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, no detailed segmental information is provided.

3 Exceptional items
Exceptional items in the six months ended 30 September 2014 relate to:

(i) the remaining restructuring costs, most of which were incurred in 2013/14
(ii) £176,000 of transaction costs relating to the acquisition of Diametra and £232,000 of aborted transaction costs

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

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 30 September 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.

	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
	£000	**£000**	**£000**
Profit after tax	2,252	3,618	6,953
	No.	No.	No.
Weighted average no of shares:			
For basic earnings per share	29,173,035	28,802,898	28,955,485
Effect of dilutive potential ordinary shares:			
-Share Options	296,586	264,090	335,092
For diluted earnings per share	29,469,621	29,066,988	29,290,577
Basic earnings per share	7.7p	12.6p	24.0p
Diluted earnings per share	7.6p	12.4p	23.7p

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

	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
	£000	**£000**	**£000**
Profit on ordinary activities after tax as reported	2,252	3,618	6,953
Exceptional items	181	803	1,351
Profit on ordinary activities after tax as adjusted	2,433	4,421	8,304
Adjusted basic earnings per share	8.3p	15.3p	28.7p

5 Taxation

Taxation for the six months ended 30 September 2014 is based on the effective rates of taxation in each jurisdiction which are estimated to apply for the year ended 31 March 2015.

The tax estimated for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
	£000	**£000**	**£000**
Profit on ordinary activities before taxation	2,771	4,111	8,335
Profit on ordinary activities by rate of tax in the UK of 21% (2014: 23%)	582	946	1,917
Additional relief for R&D expenditure	(454)	(491)	(523)
Income not taxable/expenses not deductible for tax purposes	112	45	(170)
Losses not recognised in deferred tax	223	293	353

Overseas profits/(losses) taxed (relieved) at higher rate	129	(93)	255
Effect of tax rate changes on deferred tax balances	(24)	(180)	(264)
Tax in respect of prior periods	(49)	(27)	(186)
Income Tax Expense	519	493	1,382

6 Provisions

	Retirement/ Leavers Provision £000	Warranty Provision £000	Dilapidation Provision £000	Total £000
At 1 April 2014	350	292	500	1,142
Increase on acquisition of subsidiary	160	-	-	160
Foreign exchange gain	(19)	(16)	-	(35)
Reassessment in period	(43)	(105)	-	(148)
At 30 September 2014	448	171	500	1,119
At 1 April 2013	359	150	500	1,009
Reassessment of liability				
Foreign exchange gain	(2)	(1)	-	(3)
Movement in period	9	-	-	9
At 30 September 2013	366	149	500	1,015
At 1 April 2013	359	150	500	1,009
Reassessment of liability				
Foreign exchange gain	(7)	(3)	-	(10)
Utilised in period	(52)	-	-	(52)
Movement in period	50	145	-	195
At 31 March 2014	350	292	500	1,142
At 30 September 2014				
Included in current liabilities	-	171	-	171
non-current liabilities	448	-	500	948
	448	171	500	1,119
At 30 September 2013				
Included in current liabilities	-	149	-	149
non-current liabilities	366	-	500	866
	366	149	500	1,015
At 31 March 2014				
Included in current liabilities	-	292	-	292
non-current liabilities	350	-	500	850
	350	292	500	1,142

The retirement / leavers provision relates to statutory requirements in France and Italy to pay amounts to retiring / leaving employees under certain circumstances. There is no assumption that employees will leave within the next 12 months and as such the provision is all included within non-current liabilities.

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 placements of the instrument.

The dilapidations provision relates to leased buildings in Boldon, UK. It is likely that this will be required to be settled after more than one year.

7 Share Capital

	6 Months ended 30 Sept 2014	6 Months ended 30 Sept 2013	Year ended 31 March 2014
	£000	£000	£000
Equity Shares			
Authorised:			
75,000,000 Ordinary Shares of £0.02 each at 30 Sept 2014, 31 March 2014 and 30 September 2013	1,500	1,500	1,500
Share Capital			
Allotted, called up and fully paid:			
29,161,915 in issue at 1 April 2014 (1 April 2013: 28,336,915)	583	567	567
Issued on the exercise of share options	1	13	16
29,195,276 in issue at 30 Sept 2014 (30 Sep 2013: 29,017,885, 31 Mar 2014: 29,161,915)	584	580	583
Share Premium			
Balance brought forward	31,809	30,041	30,041
Premium on shares issued during the year	16	1,429	1,768
	31,825	31,470	31,809

8 Business combinations

On 9 September 2014, IDS completed the acquisition of the entire share capital of Dia.Metra S.r.l. ("Diametra"), an Italian company specialised in the development and commercialisation of manual immunoenzymatic assays. The acquisition is in line with the Group's strategy of building its presence as a leading solution provider for speciality testing. In particular, the acquisition augments the Group's endocrinology pipeline. It is IDS's intention to convert a number of Diametra's manual assays in the area of steroid hormones onto the IDS-iSYS automated instrument. In addition, the acquisition of Diametra provides IDS with additional development and manufacturing capabilities.

			£000
Fair value of cash consideration			2,769
Provisional fair value of net assets acquired			
	Non-current assets		
	Property, plant & equipment		1,728
	Current assets		
	Inventory	327	
	Receivables and accrued income	885	
	Cash and cash equivalents	339	
			1,551
	Current liabilities		
	Short term borrowings	(452)	
	Trade and other payables	(377)	
	Deferred taxation	(61)	
	Accruals	(89)	
			(979)
	Non-current assets		
	Long term borrowings	(1,403)	
	Provisions	(160)	
			(1,563)
	Net Assets		737
Goodwill			2,032

Due to the timing of the acquisition shortly before the period end date, work on identifying and valuing the intangible assets is not yet complete. Consideration is being given to the separate recognition of distributor lists and know how, that are included within the goodwill balance as at 30 September 2014.

The sale and purchase agreement allows for a net assets adjustment on finalisation of the completion balance sheet.

In the year-ended 31 December 2013, Diametra generated revenues of €3.3m and an EBIT of €0.3m.

Revenue of £102,000, an EBIT loss of £47,000 and an EBITDA loss of £34,000 have been included in the consolidated results for the period from completion until the half year end date.

9 Financial assets and financial liabilities

The carrying value of the financial assets and liabilities are not materially different from their fair value.

10 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 30 September 2014 are:

i)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.

ii) 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.

11 Interim results

These results were approved by the Board of Directors on Monday 24 November 2014. Copies of this interim report will be available to the public from the Group's registered office and www.idsplc.com.

Independent review report to Immunodiagnostic Systems Holdings PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 which comprises the Consolidated Interim Income Statement, Consolidated Interim Statement of Comprehensive Income, Consolidated Interim Balance Sheet, Consolidated Interim Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 to 11. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with International Accounting Standards 34, "Interim Financial Reporting", as adopted by the European Union.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
Newcastle upon Tyne
24 November 2014