immunodiagnosticsystems

Immunodiagnostic Systems Holdings PLC

Annual Report & Accounts 2016

IDS IS A SPECIALIST *IN VITRO* DIAGNOSTIC SOLUTION PROVIDER TO THE CLINICAL LABORATORY MARKET. WE DEVELOP, MANUFACTURE, AND MARKET INNOVATIVE IMMUNOASSAYS AND AUTOMATED IMMUNOANALYSER TECHNOLOGIES TO PROVIDE IMPROVED DIAGNOSTIC OUTCOMES FOR PATIENTS.

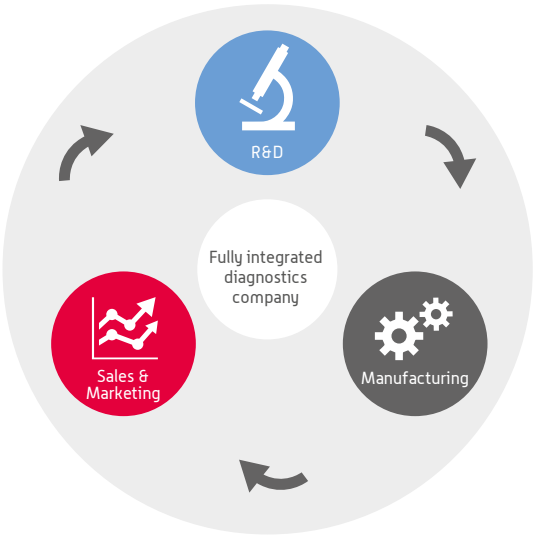
IDS AT A GLANCE

Our immunoassay portfolio is a combination of an endocrinology specialty testing menu and assay panels in complementary fields.

We are a global company headquartered in the UK with around 315 employees worldwide. Our products are developed and manufactured at our facilities in Europe. We serve our customers through regional offices in Europe, the US and a sales office in Brazil. Our network of distributors work on our behalf to serve our customers throughout the rest of the world.

Our tests are *in vitro* diagnostic ('IVD') tests, meaning they are performed on samples taken from the body such as blood, saliva or urine.

Business overview



IDS financials

£38m
revenue

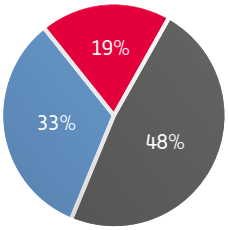
£0.5m
adjusted EBIT

315
FTE employees

£27m
cash and cash equivalents

IDS AT A GLANCE
CONTINUED

Revenue breakdown



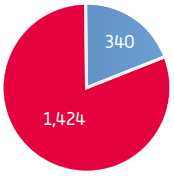
- Automated
- Manual
- Licensing and Technology

Our market

Global immunodiagnostics IVD market – field $m

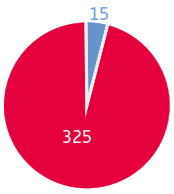
- Endocrinology
- Other

Endocrinology market $m



- Automated
- Other

Automated endocrinology market $m



- IDS
- Other

Our current endocrinology panels

Bone Metabolism

Throughout life, old bone is constantly removed (resorption) and replaced by new bone (formation). This continual process is essential for the maintenance of healthy bone mass and micro-architecture. The IDS complete bone offering provides the tools for research and routine clinical laboratories, to provide highly accurate and reliable results.

Calcium Metabolism

Vitamin D deficiency results in abnormalities in calcium, phosphorus, and bone metabolism and affects one billion people worldwide across all ethnicities and age groups. Our comprehensive calcium metabolism panel enables laboratories to measure vitamin D deficiencies in line with the Clinical Practice Guidelines set by the Endocrine Society.

Hypertension

Is a 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. The IDS fully-automated hypertension panel provides laboratories with simple and fast quantitative results.

Chronic Kidney Disease Mineral Bone Disorder

Is a systemic disorder of mineral and bone metabolism due to Chronic Kidney Disease. Building on our expertise in calcium and bone testing, IDS provides a CKD-MBD panel which comprises of bone and calcium metabolism markers including Bone Specific Alkaline Phosphate, PTH and 25(OH)D.

Growth

There are two main types of growth disorders: excessive growth and growth-hormone deficiency. The IDS Growth panel can be used to identify these diseases and conditions, evaluate pituitary function and monitor the effectiveness of growth hormone (GH) treatment.

Fertility

Approximately 1 in 8 couples have trouble getting pregnant or sustaining a pregnancy. The IDS Fertility panel can be used to support clinicians in the measurement of both esoteric and routine hormone levels. The first product in the automated IDS Fertility panel was launched in April 2016, and we expect to launch further products in this panel during the next year.

Automated assays

Bone Metabolism
- Intact PINP**,
- N-Mid Osteocalcin**,
- Ostase BAP**,
- TRAcP 5b**,
- CTX-I*

Calcium Metabolism
- 25-OH Vitamin D*,
- Intact PTH*,
- 1,25-Dihydroxy Vitamin D*,
- 1,25-Dihydroxy Vitamin D XP**,
- PTH (1-34)***

Hypertension
- Direct Renin*,
- Aldosterone*,
- Salivary Cortisol**

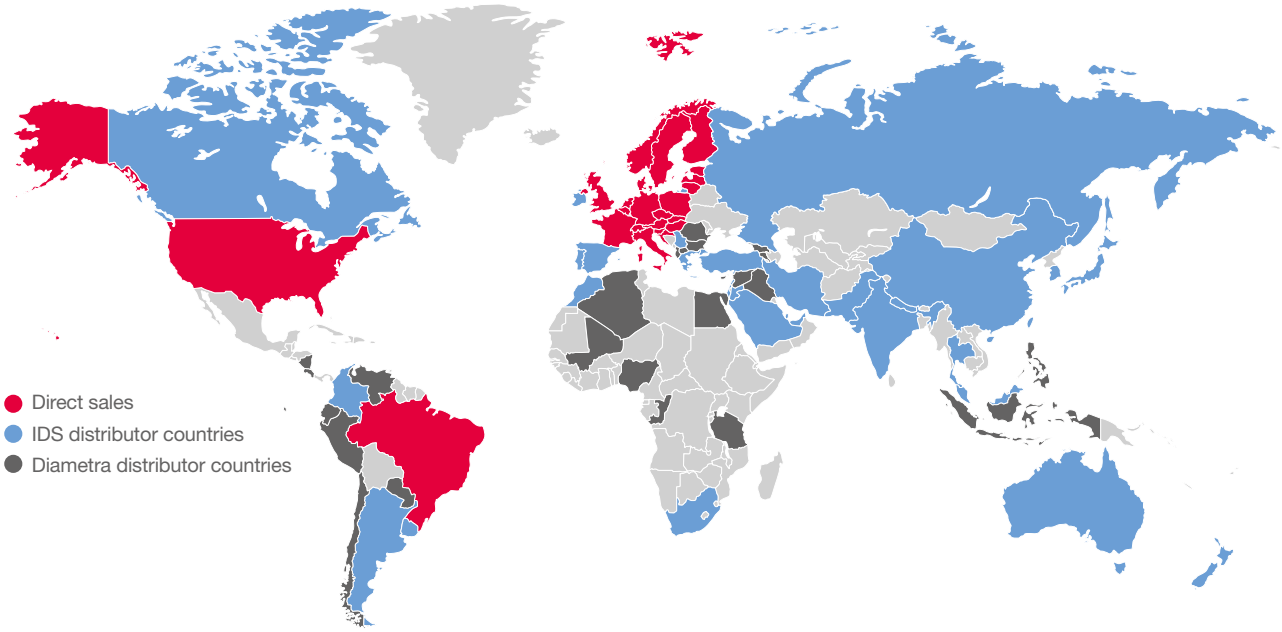
Chronic Kidney Disease Mineral Bone Disorder
- 1,25-Dihydroxy Vitamin D*,
- 1,25-Dihydroxy Vitamin D XP**,
- Intact PTH*,
- Intact PINP**,
- Ostase BAP**,
- 25-OH Vitamin D*

Growth
- hGH*,
- IGF-I*,
- IGFBP-3*

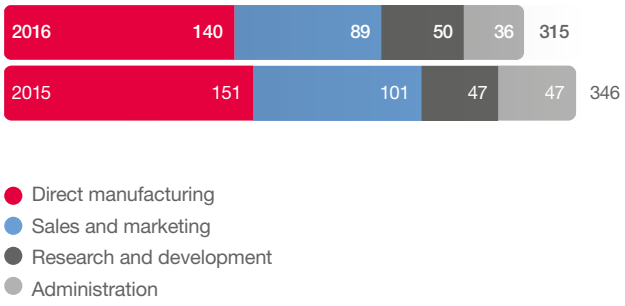
Fertility
- 17-OH Progesterone* (launched April 2016)

* CE marked and FDA cleared.
** CE marked only.
*** RUO (research use only).

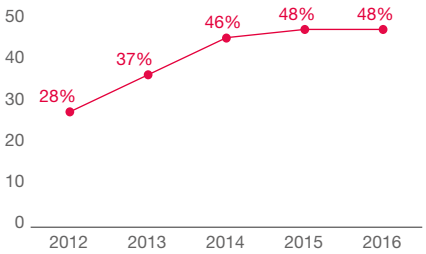
Geographical footprint



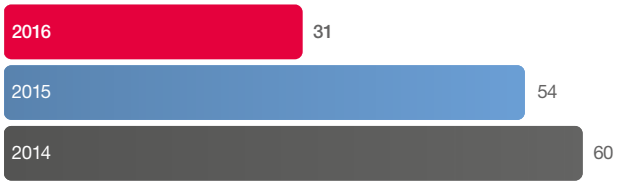
Headcount by function
At 31 March



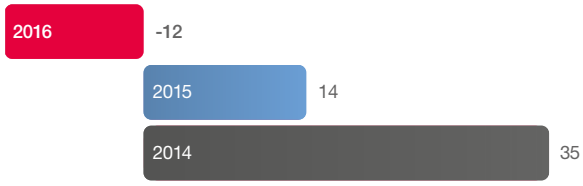
Automated revenue as % of total sales



Direct instrument placements – Gross



Direct instrument placements – Net



OUR STRATEGY

Specialist solution provider for specialty testing in immunodiagnostics

Aim

As a specialist diagnostics company, we aim to serve the needs of clinical laboratories worldwide by developing and supplying innovative solutions. Our high quality products improve laboratory efficiency and provide fast and accurate solutions for diagnosis and therapy monitoring.

Vision

Our vision is to be a leading in-vitro diagnostic solution provider to the clinical laboratory diagnostic market. Our strategy is focused on developing, internally and through partnership, our assay menu for our proprietary immunoassay analyser, the IDS-iSYS Multi-Discipline Automated System.

32
IDS Manual assays

15
Automated assays

90
Diametra Manual assays

Strategy in action

	Automated IVD	Manual IVD	Licensing & Technology	Total
Revenues FY 2016	£18m	£13m	£7m	£38m
Revenues FY 2015	£22m	£15m	£8m	£45m
Strategy	4 pillars (see below)	Increase ELISA business	Monetising our instrument know-how	

EXCELLENCE IN ENDOCRINOLOGY

1 Increase automated assay panel via 5-10 new assay launches per annum

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

2 Increase net new placements through sales excellence

- Set priorities by sales potential and follow best practice sales process
- One CRM system

3 Focus on cost management

- Streamline management structure to simplify processes
- Cost reduction initiatives across all functions

4 Corporate development (e.g. M&A) to reach critical mass in automated IVD

- M&A or partnerships to build new menu
- Acquisition of companies with strong market position and for unique assays

HIGHLIGHTS 2016

Financial summary

- Revenue of £38.3m (2015: £45.4m) showed a 15.6% decline based on actual exchange rates. Excluding the acquisition of Diametra and at constant exchange rates the decline was 18.4%.
- Automated revenues*** are 48% of overall revenues at £18.3m (2015: £22.0m), a decline of £3.7m, or 16.7%. We are continuing to lose automated 25-OH Vitamin D business as the larger laboratories migrate test volumes previously run on the IDS iSYS analyser to high-throughput analysers.
- Manual assay revenues*** are 33% of overall revenues at £12.7m (2015: £15.4m), a decline of £2.7m or 17.8%. Excluding the impact of the Diametra acquisition, legacy IDS manual assay revenues were £9.8m (2015: £13.9m). The decrease is largely due to test volumes continuing to be lost to automated solutions offered by IDS and others, coupled with weaknesses in the sales process.
- Non-cash impacting exceptional impairment charge of £38.2m recognised to write down intangible assets and goodwill to their recoverable amount.
- Adjusted* EBIT of £0.5m (2015: £4.2m) before exceptional items, yielded a 1.2% margin. Statutory EBIT was -£36.8m (2015: £3.3m), impacted by an exceptional asset impairment charge of £38.2m.
- Adjusted* basic EPS of 4.7p (2015: 11.1p); statutory basic EPS of -109.7p (2015: 8.1p).
- Proposed dividend of 1.2p per share (2015: 3.0p), which amounts to 26% of Adjusted* basic EPS.
- Net cash flow from operations of £8.2m (2015: £8.8m).
- Free cash** flow of £3.2m (2015: £2.6m).
- Closing cash and cash equivalents of £26.6m (31 March 2015: £23.7m), an increase of 12.2%.

Operational summary

- Paul Martin joined as Group Finance Director on 4 January 2016.
- 1 new endocrinology assay (Salivary Cortisol) launched in Europe in FY 2016, compared to the 6–8 forecasted.
- Project launched to consolidate automated product development and production into our Liege site which, once completed, will reduce costs by £0.5m per year.
- Implementation of a CRM system to support target qualification and generation of an opportunity pipeline.
- Telesales to research institutions launched, generating £80,000 in sales – we expect this revenue to accelerate in FY 2017.
- 4 marketing campaigns launched, generating £200,000 in sales.
- Total gross direct instrument placements of 31 (2015: 54) with 12 net direct returns (2015: 14 net placements).
- Achieved Operating cost* reduction of £2.2m, or 10%.

* Before exceptional costs of £37.3m (2015: £1.0m).
** Net cash-flow from operating activities less capital expenditure of £5.0m (2015: £6.1m).
*** The revenue analysis previously reported for FY 2015 has been updated to reflect the way key decision makers monitor the business. See Note 2.

Revenue
March 2014-2016 £m

Installed base (direct instruments)
March 2014-2016

Adjusted* EBIT
March 2014-2016 £m

Automated assay menu
March 2014-2016

* Adjusted for exceptional items.

CHAIRMAN'S STATEMENT

"At Berkshire full reporting means giving you the information which we would wish you to give to us if our positions were reversed."

Warren Buffett

Dr Burkhard Wittek
Non-executive Chairman

1. Introduction

For IDS FY 2016 was a year of transition; we made many changes to the Group's operations, however these changes have not yet impacted the financial results.

The main reason is that they were predominantly implemented towards the end of the fiscal year. Patricio Lacalle joined as CEO on 1 April 2015 and Paul Martin completed the Executive Team as Group Finance Director only effective 4 January 2016.

The second reason why the actions initiated during the fiscal year did not show results yet is the long-term nature of our business: the development process for an automated assay lasts 15–18 months, and the time between an analyser placed at a prospective client for evaluation in a trial and a first order for assays is regularly 6–12 months.

The most important KPIs for IDS are as follows:

a) In terms of financials, reported revenues decreased by 15.6% to £38.3m. On a like-for-like basis, excluding the contribution from Diametra and at constant exchange rates, the revenue decline was 18.4%. Adjusted EBIT dropped to £0.5m from £4.2m, resulting in an operating margin of 1.2% (FY 2015: 9.4%).
b) Most importantly the development process did not deliver results in FY 2016: we had targeted 6–8 new assay launches in Europe, but only delivered one, Salivary Cortisol, which was launched towards the end of the fiscal year.
c) The sales process did not deliver tangible results, either; in FY 2016 we saw a total of 12 net returns in our direct sales territories, down from 14 net placements in FY 2015 and 35 net placements in FY 2014. Gross placements in the year were 31 (2015: 54), which is a rate of less than two gross placements per sales representative per year – far below the levels achieved by peers in our industry. We need significant improvements here.

As a result of the poor financial performance we are required to book an asset impairment charge of £38.2m. The details of this are set out in the Financial Review.

These developments triggered a decrease in the share price which dropped from £2.95 on 31 March 2015 to £2.25 at the end of FY 2016, by 24%.

2. Board matters

During FY 2016 we completed the restructuring of the Board, in line with my statement in the FY 2015 Annual Report. The aim of these changes is to strengthen both the business sense as well as the culture of ownership at Board level.

2.1 Non-executive level

Changes at a non-executive level in the year were:

a) Eddie Blair stepped down as a Non-Executive member of the Board at the last AGM after eight years of service. Eddie had brought the scientific perspective to the Board and we would like to thank him for his many years of dedication to the Company.
b) Effective 15 June 2015, Peter Williamson joined the Board as a Non-executive member. With many years' experience in the Private Equity industry he brings a strong business sense to the Group, specifically including many successful restructuring projects. Given the adjustment required to cost base as a result of the lower level of business, we are glad to have his experience within the Group.
c) Effective 1 November Dr Peter Kaspar joined the Board as a Non-Executive member. He has been in management positions in the IVD industry for many years with a focus on R&D, but always retaining a general management perspective. During his short time at IDS, he has familiarised himself in detail with the issues we need to address in our development process, and has been able to give valuable recommendations as how to improve it.

2.2 Executive level

Patricio Lacalle started as CEO on 1 April 2015, thus FY 2016 encompasses his first 12 months of service. During this period he has been able to make an assessment of the situation, define first action steps, and initiate them – the latter more towards the end of the year. He will report on progress made in his operational review.

On 4 January 2016 Paul Martin joined as Group Finance Director. He has many years of experience in financial functions within various businesses undergoing restructuring. Thus his first assignment at IDS was to head the project "Fit for Success" which will review and adjust the cost base of IDS.

2.3 Summary

With the changes described above, the restructuring of the Board has been completed. Over the year the Board discussions have changed significantly, the focus is now on the topics which constitute the key levers to improve the future value of the business. Discussions evolve around factual material presented by the Executives, and we talk with intellectual honesty about the weaknesses and deficiencies we have to tackle in order to become a good, and eventually great, company again.

I personally believe that a mutual understanding of the issues we are facing is required to define and implement the necessary changes for IDS. With this Board team IDS has laid the foundations for a process which achieves this goal.

3. The way forward for IDS

In last year's statement I noted that IDS will need changes in the following areas to become successful again:

a) Differentiated strategy: IDS has recognised that it is active in three different businesses – and each requires a distinctive strategy to succeed. They are automated IVD, manual IVD and the licensing/technology business. These business units should be managed by business unit heads, with responsibility for their business units only, who will be focused on driving their business unit performance irrespective of the performance of other areas of the business.
b) Focus on four KPIs in the core automated IVD business. The pillars of the strategy in this business unit are:

- Larger menu – this refers to the innovation process;
- Larger installed base – this refers to the sales process;
- Cost discipline – a focus on effectiveness; and
- Acquisitions and other deals to accelerate the build-up of critical mass.

c) Culture: the company needs to strengthen some aspects of its culture, in particular its business sense, a bias to action and its ambition.

Below I would like to elaborate on these points.

4. Differentiated strategy

An overview of the financial information relating to the three business units in which IDS operates is:

	Automated IVD	Manual IVD	Licensing & Technology	Total
Revenues FY 2016	£18m	£13m	£7m	£38m
Revenues FY 2015	£22m	£15m	£8m	£45m
Profitability	Negative	High	Very High	Low

4.1 Automated IVD business

4.1.1 Business description

The automated IVD business is comprised of the sale or placement of our IDS-iSYS instrument, in addition to selling automated assays and consumables for use in these instruments.

4.1.2 Revenue model

The typical revenue model in a country where we have a direct sales organisation is to place an instrument for free with the customer, against a contract to buy a certain amount of assays and consumables for a period of several years. In territories where we utilise a distribution network, we sell the instruments to distributors. This approach is industry standard.

4.1.3 Key success factors

Key success factors in the automated IVD business vary depending on the part of the market a company is positioned in. Based on market data for 2014 IDS is a tiny niche player:

a) Size of the global IVD market	c.$9bn
b) Thereof automated	c.$7bn
c) IDS automated IVD revenues	c.$27m
d) IDS market share overall	c.0.4%

IDS is a marginal player in the overall market, thus strategically this forces us to specialise. In the IVD market, the way for smaller competitors to specialise is by indication areas, each of which require special clinical know-how, have dedicated opinion leaders and where part of the market is concentrated on specialised labs.

The core indication area of IDS is endocrinology. Market and market share data for this area are set out below. Please note that we have excluded 25-OH Vitamin D from the market definition as it has outgrown the specialty endocrinology niche and is now serving several indication areas.

	FY 2016	FY 2015
a) Size of global market for endocrinology markers:	**$1,764m**	$1,538m
b) Thereof automated:	**$340m**	$332m
c) IDS automated endocrinology revenues:	**$15.2m**	$14.7m
d) IDS market share in endocrinology:	**4.5%**	4.4%

The IDS revenues above are achieved with our "endocrinology excellence menu", i.e. all assays excluding 25-OH Vitamin D (but including 1,25 Vitamin D). Thus in endocrinology we are a player who is recognised by market participants as relevant and significant. This allows us to build up key opinion leaders who reinforce our position.

Strategically we have taken a decision to secure this core competence by committing resources to this franchise. New assays will address niche needs, but we believe that it is important that IDS continues to be perceived as the opinion leader and partner of competence in the field of endocrinology.

In the field of endocrinology our main competitor is DiaSorin.

4.1.4 Competition and competitive advantage

Our competitors in the automated IVD business fall into two categories:

a) Four major suppliers of high-performance closed-system analysers for central labs, i.e. Roche, Siemens, Abbott and Beckman Coulter. We refer to them collectively as the "4 workhorse suppliers" as the instrument they place in a laboratory is high-performance and tends to be used as the "workhorse", processing 60–80% of total test volumes.
b) Approximately six specialists supplying low and medium performance closed-system analysers for specialised niche indication areas, e.g. Phadia for allergy or DiaSorin and Biomerieux for immunology, Euroimmun and Bio-Rad in autoimmunity. IDS is the smallest by a wide margin.

4.1.5 Profitability

Gross margins in this business are high, slightly above the level of gross margins available in the manual IVD business, but this gross margin is required to cover the depreciation of the systems which tend to be placed for free with labs. At this stage of our business development operating costs are also very high as we have decided to invest in an infrastructure to grow this business further:

a) We place analysers with customers for free, so they have "razors", so we can then sell them "razorblades", i.e. automated assays and other consumables. IDS retains ownership of the analyser, thus bear the depreciation costs of the instruments.
b) Nearly all of the R&D spend incurred by IDS relates to analyser development and assay automation.
c) We maintain a technical service/field service organisation, comprising around 40 employees, (over 10% of our workforce) to support customer's queries relating to iSYS analysers and automated assays.

Thus EBIT margins in our automated business are estimated to be negative at this stage. As stated in last year's Chairman's statement, to reach break-even at the EBIT level in this business we estimate we will need a critical mass amounting to annualised revenues of at least £30m to £50m. This will require both an acceleration of our pace of internal innovation as well as acquisitions to boost our product offering.

4.1.6 Key events in FY 2016

In our core franchise of clinical automated endocrinology ("endocrinology excellence menu", excluding 25-OH Vitamin D) we achieved a revenue growth of 3.1% in FY 2016 – after an increase of 13.7% in FY 2015. This loss of momentum in growth is really disappointing, as this is the area where we have a competitive advantage. According to our assessment the reasons for this low growth rate are of lack of hunting mentality in the sales organisation in combination with a lack of new product introductions. Patricio elaborates on these points in his operational review.

4.2 Manual IVD business

4.2.1 Business description

In this business segment we sell manual assays, radio immunoassays ("RIA") and ELISA kits ("EIA") to labs which do not have the size to warrant the placement of a closed automated system. Thus volumes per assay are smaller and revenues per customer lower.

In the manual assay world there are two types of uses:

a) Clinical use. Here assays are used to test humans for all sorts of screening and diagnostic questions. All assays need regulatory approval.
b) Research use only ("RUO"). In this application assays are used for scientific experiments or in conjunction with clinical tests of therapeutics. No regulatory approval is required.

The present business of IDS is substantially all related to clinical use. This will be the area we will continue to focus on as the required regulatory approvals limit the number of competitors.

4.2.2 Revenue model

The revenue in this business is straightforward: we sell assays and ancillaries for cash.

4.2.3 Key success factors

To effectively serve the market for clinical use a company needs a cost-efficient sales process to address the many small customers efficiently. Such a sales process would normally be comprised of:

a) Outbound telesales for new lead identification, qualification and tele-appointment. At times outbound telesales may also be able to generate direct sales, but this is more the exception than the rule.
b) A few sales reps calling on key accounts and qualified leads, plus pursuing tele-appointments arranged by the outbound telesales team.
c) An inside sales team plus a transactional website for the cost-efficient handling of repeat orders.

In last year's report I told you that IDS had decided to stop direct sales calls to customers in this segment, but had not built up an alternative channel to market. We have not tried to protect and develop our manual business, but have focused on converting it to automation whenever we had an automated alternative. As a result this business had been shrinking at a rate of 24% per annum in the five years to March 2016.

4.2.4 Competition and competitive advantage

IDS is a small player when compared to a large field of small to medium size competitors in the manual business.

The clinical field of the manual assay business include significant specialised competitors like IBL, Euroimmun or Orgentech/ Werfen Group or generalists, for example DRG, Diasource.

4.2.5 Profitability
Gross margins in this business are slightly lower than in the automated part of the IVD business. At this stage operating costs for this business are relatively moderate – in my opinion too low to keep the business sustainable. Thus current profitability is high, but we will have to invest more into sales and marketing resources in the future, to stop the revenue erosion.

4.2.6 Key events in FY 2016
In FY 2016 the manual IVD business at IDS shrank at a rate of 17.8%. The legacy IDS business declined 29.3% year-on-year, while revenues from the acquired Diametra business were largely constant (on a full-year equivalent basis).

On the operational side we have established outbound telesales functions in our three regional sales offices. These teams have been able to reactivate a number of dormant customers.

We have not yet been able to build up an integrated sales process with our sales reps and have not established a transactional website.

4.3 Licensing and Technology
4.3.1 Business description
The licensing and technology part of our business deals with supplying proprietary antibodies and assays with unique characteristics and IDS analyser technology on an OEM basis to third parties.

In FY 2016 the majority of revenues within this segment were accounted for by supplying antibodies and assays to a few customers. On the analyser side we have published that we are developing an adapted version of our iSYS for Stago to use in their core business of coagulation. We believe there is more potential for similar deals monetising our analyser technology.

4.3.2 Revenue model
The revenue models in these segments are made up as follows:

a) In assay technology: predominantly royalties plus goods delivered.
b) In analyser technology: milestones at defined stages of development, (sometimes) royalties and a margin on hardware and consumables revenues.

There is a risk over the short to medium term that this income stream is eroded or removed if a key partner no longer requires access to the licensed intellectual property.

4.3.3 Key success factors
Key success factors going forward in this business are maintenance of the technological lead which induces our clients to license the respective technologies from us. This requires that we continue to spend on R&D at the rate we have in the past.

4.3.4 Profitability
Because of the weight of IP-related income streams gross margin in these activities is high.

4.3.5 Competition and competitive advantage
Our competitive advantage is based on the ability to adapt our existing instrument platform flexibly. Thus we can provide customers with an instrument without long development cycles and the associated significant development costs.

4.3.6 Key events in FY 2016
Revenues in this business declined to £7.3m (2015: £8.0m), and gross margin remained at a high level.

More importantly we changed the way the business is managed: in the middle of the year we started a project to systematically identify and qualify leads which are then pursued in discussions with senior management at the target customers. This process has generated several leads which are presently in different stages of the partnering process.

Subsequent to year end we were informed by a large customer that they have decided to in-source the service we have provided in the past. Thus we are expecting revenues in this segment in FY 2017 and beyond to be significantly below FY 2016. As we are losing royalty income the associated loss will be disproportionately stronger.

5. Key Performance Indicators ("KPIs") in the automated IVD business
As mentioned above, our core business of automated IVD is rather straightforward and requires concentration on a few KPIs. I would like to discuss these below.

5.1 New assay launches
The assay menu of IDS is sub-critical in size. It is comprised of

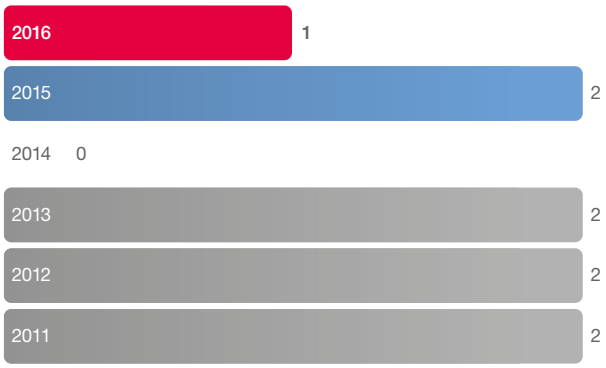
Regulatory approval	**Assays end of FY 2016**	Assays end of FY 2015
a) Assays with the CE mark	**15**	14
b) Assays with FDA approval	**9**	8

It is hard to convince an efficiently run laboratory to install an additional analyser in order to run such a small number of assays. Critical mass to have an attractive business case for laboratories requires a menu of 25 to 30 automated assays. Thus the rate of new assay introductions is one of the primary KPIs to monitor in this business.

CHAIRMAN'S STATEMENT
CONTINUED

Below please find the number of new assay introductions in the last six fiscal years.

New assay launches

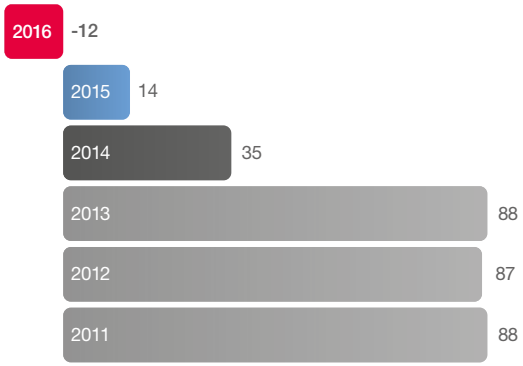


As mentioned in my introduction, we completely missed our goal to accelerate assay launches. The main reasons are a lack of decisions taken and weaknesses in the development and upscaling process. This process is presently being completely overhauled. Thus we hope to be able to report a clear improvement in the next year. More details on our assay launch performance will be given in the operational review.

5.2 Net new placements

Our revenue model in the automated IVD business is based on an installed base with each installed device generating recurring revenues. In order to reach critical mass in the automated IVD business we have to increase the number of installations. The KPI used for this goal has been net new placements of IDS-iSYS machines in the territories we serve directly. Below is the number of net new placements with direct customers in the last six years.

Direct customers – Net new placements/(returns)



As you can see performance has continued to decline, and for the first time the total number of machines operational in our direct sales markets decreased.

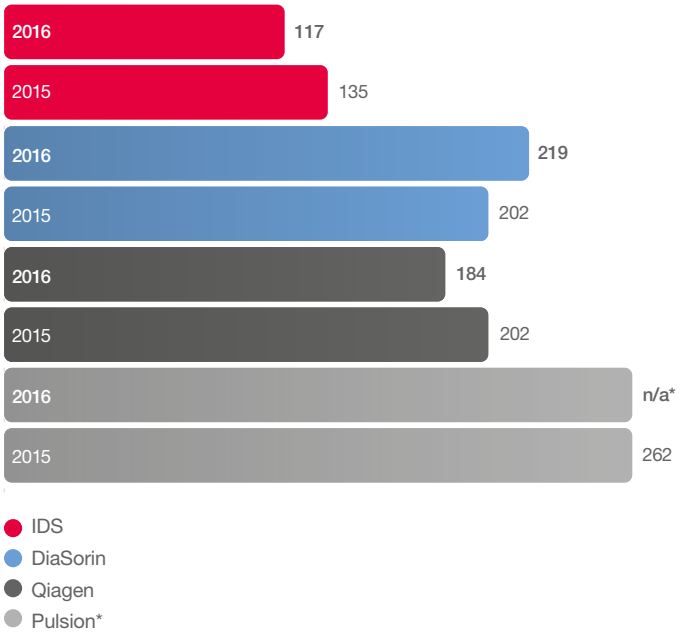
Our diagnosis for this unsatisfactory development is weakness at all stages of the sales process, coupled with the sub-scale assay menu described earlier. We will tackle these weaknesses during 2017 one-by-one. Rather than promising yet another unrealistic number, we can only state that we are expecting a clear improvement over 2016.

5.3 Cost effectiveness

The IVD business is exposed to pricing pressure: annual price erosion in most assays is in the 1–3% p.a. range, in our main product automated 25-OH Vitamin D erosion is even higher. In order to cope with this pressure any market participant has to increase the cost effectiveness of his organisation.

The KPI most commonly used – and in fact most relevant – is revenue per employee. The graph below shows the evolution of revenues per employee at IDS and three peers in the diagnostics segment (DiaSorin, Qiagen and Pulsion). The first two are active in the IVD, Pulsion is active in in-vivo diagnostics, but we wanted to add a peer with comparable size to deflect the "scale" argument as an explanation of headcount productivity.

Revenue per employee (in £000)



* Pulsion has no published numbers for 2016.

As you can see this metric has deteriorated once more during FY 2016. The main reason is that there was no effort undertaken to set up any structural cost-saving projects before Patricio joined. As we are a medtech organisation with long-term decision-making by clients and regulatory surveillance, we took some time to define a sensible first efficiency project.

The project to identify these savings has been nearly completed. We have identified savings at a run-rate of around GBP £2.5m–£3.0m per annum. The current planning for execution of the required actions is for 90% of the savings to be fully implemented by the end of calendar 2016, thus the full impact should be realised during the year ended March 2018. Related one-off restructuring costs are estimated to be in the region of £2.0m.

5.4 Acquisitions and partnerships deals

In last year's Chairman's statement I noted that in order to reach the critical size required in the automated IVD business, we needed to undertake a number of acquisitions. This was the main rationale for acquiring Diametra in 2014. Yet the acquisition of a company with a good manual assay portfolio does not give us direct access to an automated menu – the manual portfolio would still have to be automated. Additionally any future acquisition would add the complexity of another company with a full infrastructure, e.g. yet another plant.

In the course of 2016 we have therefore shifted our focus to seeking partnering deals with companies who have a strong position and expertise in an indication area of interest to us. The goal is that we enter a collaboration to jointly automate the assays needed for a meaningful panel. The partner would contribute the assay and clinical know-how while IDS would contribute the instrumentation know-how.

At this point in time we are negotiating with 2-3 prospective partners. We hope to be able to announce the signing of one or several deals with this profile during the first half of FY 2017.

6. Culture

In last year's Chairman's statement I stated that we would have to evolve the culture of IDS to meet the challenges of the competitive market we are operating in. Specifically I mentioned that we needed to strengthen:

a) Business sense;
b) Getting things done in short timelines – with no excuses for delays; and
c) Ambition – striving to be the best in the sector – benchmarked against industry leaders.

This cultural change is indeed at the core of our restructuring – it is not about a "chirurgical operation" taking out some bad tissue selectively or fixing a defined set of processes. We have to get the Company to evolve from a science-driven culture to a fully-fledged business culture, in a matter of one to two years. That is a difficult task handed to the Executive team. Patricio and his colleagues are working on numerous fronts to implement this change. Please refer to Patricio's operational review for an update on what we initiated and what we achieved – and where we still have to tackle cultural issues.

7. Dividend

In the last Annual Report we stated that our dividend policy will be to pay out 25–30% of adjusted basic EPS as dividends. In addition the Board will also consider buying back shares whenever we feel that the market price is below the intrinsic value of the Company. This may happen when investors price the Company's stock on current earnings and earnings momentum, but not on its inherent value after completion of the restructuring. And we have to admit that we have probably disappointed a significant share of our investors given the low visibility of change in the financial results.

Adjusted basic EPS in FY 2016 was 4.7p (FY 2015: 11.1p). The Board proposes a dividend of 1.2p (2015: 3.0p) – implying a payout ratio of 26% (2015: 27%).

At the AGM we will propose to give the Board authority to renew the authorisation to buy back up to 2,250,000 shares of the company, i.e. c.7.6% of the share capital. At the present share price of c.132.5p this would imply an amount of £3.0m.

8. Employees

Whilst FY 2016 was not successful in financial terms it required a lot of work and adjustment from our staff. I believe that the vast majority of our staff understands why we have to make adjustments to our headcount, and in many instances require the remaining staff to adjust the scope of their work. We continue to have many employees who are willing to get out of the habit of doing things the way they have been done in the past and to face the challenges of becoming a leaner, yet more proactive company in the market.

I would therefore like to thank all of our staff for their effort and commitment in the last year. We will continue to need you and your commitment to make IDS a company which will be a stronger and more successful competitor going forward.

9. Outlook

FY 2016 was a year of transition: we continued to suffer from the downward momentum in the underlying business, but laid the foundations for a recovery – though these are not yet visible in the numbers.

During FY 2017 we will continue to make many changes in the organisation. We also expect that during the year you will see a slowdown in the downward momentum as the first actions undertaken become effective.

I remain confident that IDS has a good future: the automated part of the IDS business is a razor/razorblade-type business with recurring revenues at a very predictable rate. In nearly 40 years of business life I have come across several of these businesses – and they have always been businesses with outstanding profitability and returns to shareholders. At IDS this core strength of the business model is currently superseded by operational problems. But with the team that is emerging I am sure that IDS is a raw diamond waiting to be polished.

Dr Burkhard Wittek
Non-executive Chairman

OPERATIONAL REVIEW

2015/16 has been yet another year of decline in sales and profit at IDS. The negative dynamics driven by competing against the major players in the 25-OH Vitamin D environment is continuing. While countermeasures have been identified and launched, those could not compensate the drain. We will intensify our efforts in generating new business and reducing our cost.

Patricio Lacalle
Chief Executive

Business overview

The main product which caused the decline in revenues was 25-OH Vitamin D. This marker is represented in both our automated as well as in our manual business segment and represents 26% (2015: 34%) of our total revenue. We expect the decline to continue as manual applications are increasingly being automated. Being a high volume marker, 25-OH will be run by an increasing portion of labs on one of the big workhorses.

By the term "workhorse" I refer to the analyser at the core of a lab which has the highest efficiency. Most labs will run 60-80% of their volumes on this workhorse, with the remainder being split among smaller analysers for specialty applications such as allergy or endocrinology. These workhorses tend to be manufactured by the four largest suppliers of IVD which jointly account for 50-60% of the global market. All suppliers of workhorses now offer an automated 25-OH Vitamin D assay.

We operate in three business segments: Automated IVD, Manual IVD and Licensing & Technology. The results they have produced are shown below:

	2016 £000	2016 %	2015 £000	2015 %	% change
25-OH Vitamin D	**7,232**	**19%**	9,887	22%	-27%
Other specialty	**10,076**	**26%**	9,774	22%	3%
Instrument sales	**983**	**3%**	2,293	5%	-57%
Total automated	**18,291**	**48%**	21,954	48%	-17%
25-OH Vitamin D	**2,867**	**7%**	5,416	12%	-47%
Other specialty	**6,933**	**18%**	8,441	19%	-18%
Diametra	**2,876**	**7%**	1,561	3%	84%
Total manual	**12,676**	**33%**	15,418	34%	-18%
Licensing and Technology	**7,338**	**19%**	7,990	18%	-8%
Total revenue	**38,305**		45,362		-16%

1. Automated IVD

Business segment results

In FY 2016, this business segment represents 48% (2015: 48%) of the total revenue, and has seen a year on year decline of 16.7% (2015: 8.1%). Automated IVD is comprised of 25-OH Vitamin D, Specialties and Instrument sales.

Within this segment, 25-OH Vitamin D sales have declined by 27% (2015: 25% decline), Speciality sales have grown by 3% (2015: 14% growth) and Instrument sales have declined by 57% (2015: 12% growth).

Whereas the drivers of the decline of 25-OH Vitamin D have been described previously, the slow growth in specialties is owed to a loss of market share in 1,25-Dihydroxy Vitamin D. We were facing strong competition in the market in most of our sales territories, especially in the US where we have not yet launched the fully automated version.

The sharp decline in instrument sales is mainly due to a large distribution order during FY 2015 which was not repeated in FY 2016.

1.1. Key success factors

1.2.1 Increased reagent portfolio

At the beginning and well into the fiscal year we were expecting to launch 6-10 new assays before March 2016. As explained in the Chairman's statement, disappointingly we only managed to launch one. As a result of not meeting our (admittedly ambitious) goal, it brought a number of deficiencies into the open. Reasons for the delays range from unexpected maintenance projects within the existing portfolio, to changes in priority, trouble shooting and shortages in resources.

As a consequence we introduced three changes. Firstly, we have increased the resources in our automated assay R&D department, where we were running too low on resources to both maintain and grow our product portfolio. This process is on-going.

Secondly, we have started to concentrate all our automated assay activities to our location in Liege, Belgium. This eliminates the frictions and inefficiencies inherent when processes cover several sites. Thirdly, we introduced a review process whereby the top three projects get all the resources necessary to drive completion and to avoid any more delays.

During April 2016 we achieved the European launch of the first assay in our automated fertility panel, 17-OH Progesterone. This assay stands as a positive example which has demonstrated our capability to launch an assay with an end to end development timeframe of 15 months. In addition there are a further four automated assays at an advanced development phase, which we aim to release during FY 2017. A number of these new automated assays arise as a result of the automation of manual tests acquired with the purchase of Diametra in September 2014.

1.2.2 Instrument placements

Direct instruments are those sold or placed with IDS customers in the US, Europe and Brazil where the Group is present with its direct sales organisation. Gross direct instrument placements were 31 (2015: 54) with 43 instruments returned in the year (2015: 40), meaning net direct instrument returns were 12 (2015: net placements of 14). The total installed iSYS base with direct customers is 300 at 31 March 2016 (2015: 312).

Machines sold to partners and distributors during the year were 35 (2015: 49).

	2016 Total	2015 Total
Direct – gross placements	**31**	54
Direct – returns	**(43)**	(40)
Direct – net (returns)/placements	**(12)**	14
Direct – installed base to date	**300**	312
Sales to partners and distributors	**35**	49

The region contributing most to the significant decline in the net placements/returns metric was the US business, where only six machines were placed (2015: 18) but 26 machines were returned (2015: 15). We expect this negative trend to slow down as we receive additional FDA clearance for new products and as a result of improving our sales process. Our European business continued to perform positively, though slower than in the previous year, with net placements of seven machines (2015: nine).

Average revenue per direct instrument ("ARPI") was £48,000 per annum (calculated on a rolling 12-month basis) (2015: £55,000). The decline in ARPI was due to the continued returns of high throughput 25-OH Vitamin D only instruments being returned in the period, and our new instrument placements being at a lower ARPI than historic levels.

1.2.3 Sales process

Our business up until 2013 benefited from a very good 25-OH Vitamin D product, with little competition, in a growing market. Hence it used to be a relatively easy sale.

Since 2014, the workhorse suppliers have launched comparable Vitamin D products. As a result IDS has been very vulnerable, especially where we had only one product running on any placed analyser. Thus the challenge in the sales process is to identify the sales opportunity in each lab which is not covered by a workhorse. This is why our specialty offering is so important; it gives us the required USP with laboratories. Our sales process today requires a meticulous effort to detail the laboratory's consumption and the potential for the IDS product portfolio.

In July 2015 we introduced a CRM system, and since have looked at performance criteria such as target profiling, target identification, target qualification, opportunity management, visits per week and customer interaction quality. We realised that our performance has been poor along each step of the sales process and that we are far from being a well-oiled sales machine.

OPERATIONAL REVIEW
CONTINUED

It is now our objective to significantly improve that process along each step. We have established the relevant metrics and are finalising the management structures. In addition, we have reviewed our sales bonus incentive and clearly shifted the focus towards gaining new business.

2. Manual IVD

2.1. Business segment results

In FY 2016, this business segment represents 33% (2015: 34%) of total revenue and has seen a year-on-year decline of 18% (2015: decline of 22%). The legacy IDS business (excluding Diametra) represents 26% (2015: 31%) of total revenue and has seen a year-on-year decline of 29% (2015: decline of 30%).

Within this segment, 25-OH Vitamin D continued to decline, because of automation, by 47% (2015: decline of 36%). Specialties declined by 18% (2015: decline of 25%). In specialties, we observed a significant reduction of 1,25 -Dihydroxy Vitamin D, however as outlined under Automated IVD, due to competition we were not able to convert the loss in the Manual IVD into higher market share in Automated IVD.

In FY 2015 IDS acquired Diametra and in FY 2016 we have started to capitalise on synergies in sales and distribution channels and we have begun to automate products out of the Diametra portfolio.

2.2. Sales process as a key success factor

Manual IVD is sold to routine or research laboratories. In both cases the volumes are relatively small compared to automated assays. This requires an efficient sales process, in particular covering lead generation, lead qualification, opportunity management as well as tele-appointment and tele-sales. We have established two teams in Europe and one in the US with promising initial success, both generating sales or sales leads for the reps.

In markets without the infrastructure needed for automated solutions and low labour cost, manual IVD often is the method of choice. In these countries, IDS mostly operates with distribution partners. After being vacant for over one year, we have recently filled the position of Distribution Manager, clearly an area I should have addressed right at the beginning. We also commenced the recruitment process for a business unit manager, to spearhead the turnaround of the manual business.

3. Licencing & Technology

3.1. Business segment results

In FY 2016, the Licencing & Technology represented 19% (2015: 18%) of the total revenue and declined 8% year-on-year (2015: decline of 7%).

3.2. Key success factors

The technology offering drives our ability to licence to other parties. At IDS a licence could be either based on assay or instrument technologies. We are increasingly moving to sell services, hardware and consumables from our random access instrument technology division to other companies on a non-exclusive basis, even if they are in a similar assay indication field. We do not see a competitive conflict, as the laboratory partner will make a decision based more on the assay portfolio

Customer profile

Mr Benoit Marnet

Biopole 66, Cabestany, France.

What made you choose IDS?

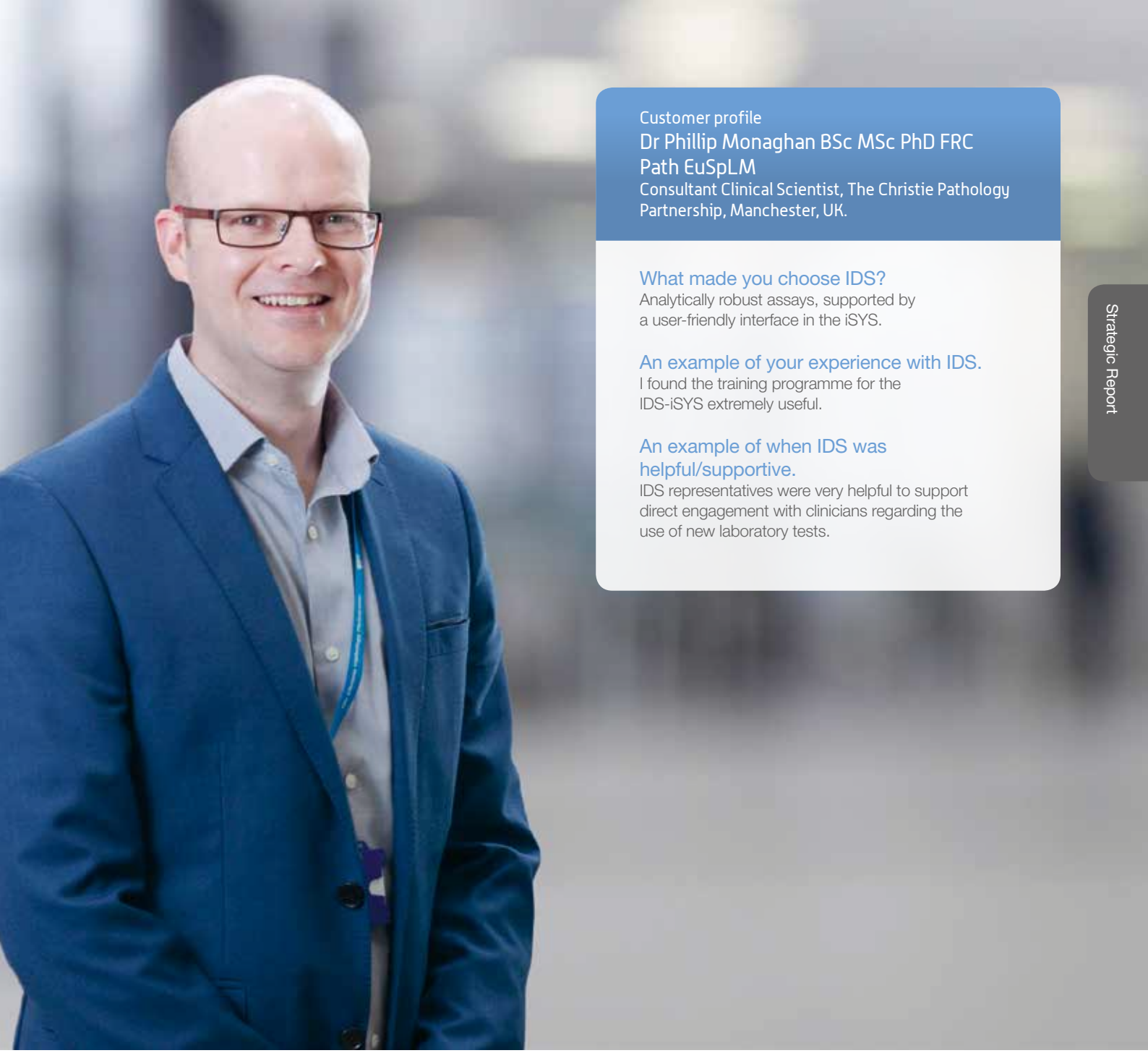
The iSYS: a novel analyser with both 25-OH Vitamin D and CTX-I, two interesting bio-markers in the French market.

An example of your experience with IDS.

Their ability to innovate: bringing out niche markers in new areas like serology, in particular EBV and HSV.

An example of when IDS was helpful/supportive.

Their technical services, both instrument servicing and applications support, are extremely pro-active, accessible and competent.



Customer profile

Dr Phillip Monaghan BSc MSc PhD FRC Path EuSpLM

Consultant Clinical Scientist, The Christie Pathology Partnership, Manchester, UK.

What made you choose IDS?

Analytically robust assays, supported by a user-friendly interface in the iSYS.

An example of your experience with IDS.

I found the training programme for the IDS-iSYS extremely useful.

An example of when IDS was helpful/supportive.

IDS representatives were very helpful to support direct engagement with clinicians regarding the use of new laboratory tests.

rather than the instrumentation the assay runs on. Over the last nine months we have received positive feedback and have entered negotiations with a number of interested parties.

Improved workflow continues to be one of the drivers for efficiency and quality in the laboratory market. IDS is the only company in the market offering random access system solutions with the experience of an IVD company.

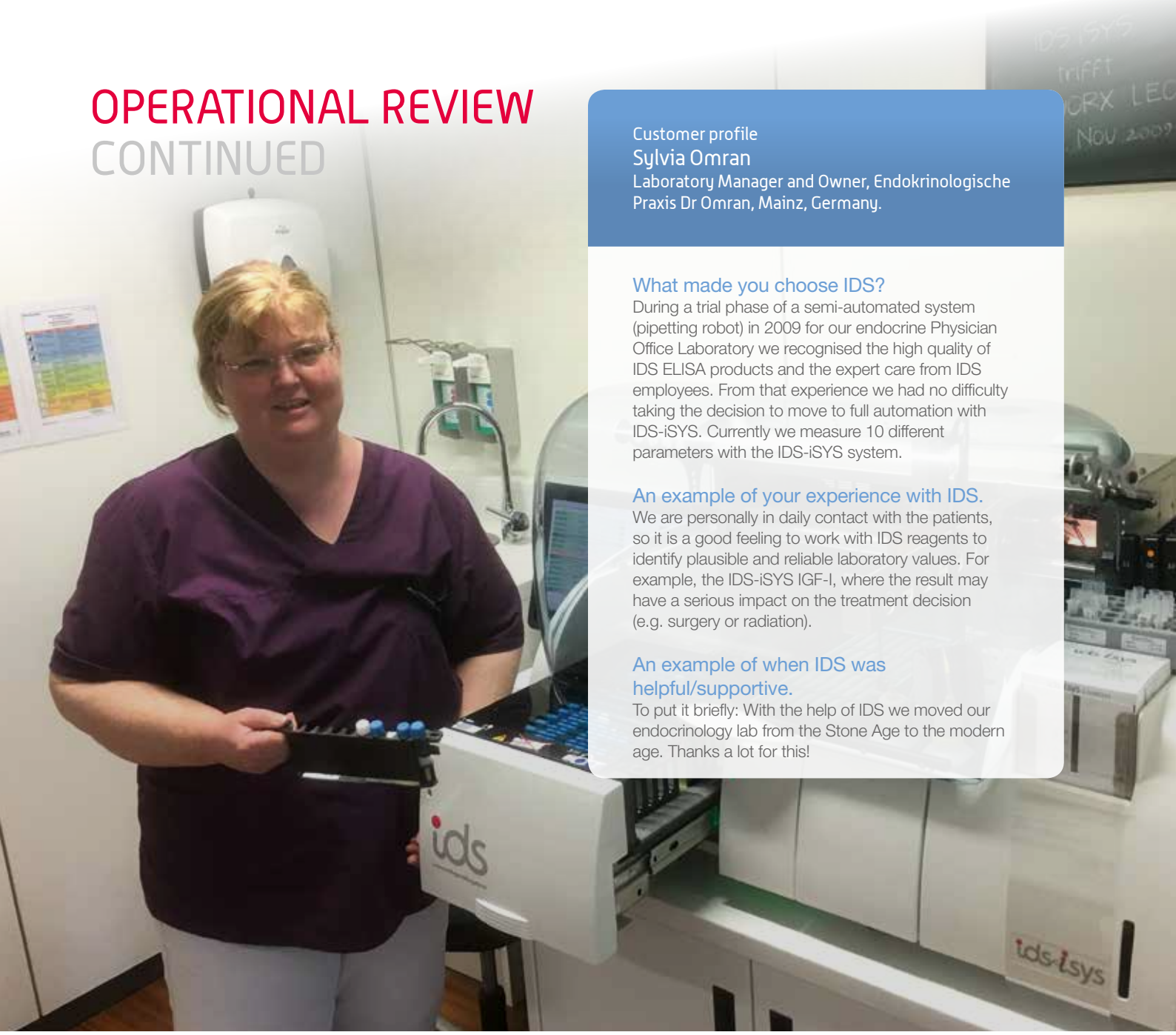
We are therefore in the process of identifying a suitable candidate to fulfil the role of promoting IDS as a system partner and lead our instrumentation unit.

4. Cost

We contained expenses in FY 2016, opex declined by £2.2m or 10%. This cost saving was mainly achieved through cost efficiencies, and not as a result of structural changes to our business.

"IDS is the only company in the market offering random access system solutions with the experience of an IVD company."

OPERATIONAL REVIEW
CONTINUED



Customer profile

Sylvia Omran

Laboratory Manager and Owner, Endokrinologische Praxis Dr Omran, Mainz, Germany.

What made you choose IDS?

During a trial phase of a semi-automated system (pipetting robot) in 2009 for our endocrine Physician Office Laboratory we recognised the high quality of IDS ELISA products and the expert care from IDS employees. From that experience we had no difficulty taking the decision to move to full automation with IDS-iSYS. Currently we measure 10 different parameters with the IDS-iSYS system.

An example of your experience with IDS.

We are personally in daily contact with the patients, so it is a good feeling to work with IDS reagents to identify plausible and reliable laboratory values. For example, the IDS-iSYS IGF-I, where the result may have a serious impact on the treatment decision (e.g. surgery or radiation).

An example of when IDS was helpful/supportive.

To put it briefly: With the help of IDS we moved our endocrinology lab from the Stone Age to the modern age. Thanks a lot for this!

In the last quarter of the year we launched a cost project called "fit for success" to review all costs in the business, and make the required structural changes to the cost base. More details on this project are provided in Paul's financial review.

5. iSYS 2

During the year the group completed the development of the iSYS 2 machine. However, as noted earlier, there have been a significant number of returns of the iSYS machine. The Group is putting in place sales initiatives to place or sell this backlog of iSYS machines. Once this backlog is substantially cleared, we will move to launch the iSYS 2 machine with its key feature being connectivity to tracks.

6. Culture

One of our biggest challenges is to re-orientate the culture within IDS to be more commercially focused, results-based and action-driven. This is vital for us to succeed in the competitive market in which we operate.

I have spent considerable time with the various organisational units in IDS. At all levels and in each location, the revenue decline over the last two years has been felt as a shock after many years of strong growth. I understand that the actions required in order to adjust our cost base to become leaner and more effective are often deemed to be unpleasant. Equally in each of the locations I have visited, I have spoken to well-trained colleagues and I have seen a wealth of competence in all of our departments and functional areas.

Now, as we are rebuilding our business, together we have to look forward, make use of all our existing talent and competences, and pull together. We will need to focus on our key strategies, challenge each other and drive ourselves and our colleagues to accomplish results. We have to do that energetically, with a sense of urgency, perseverance and the self confidence that we will succeed as an individual and as a team.

Should we be able to achieve this turnaround in culture, then I am confident an improvement in operational and financial performance will follow.

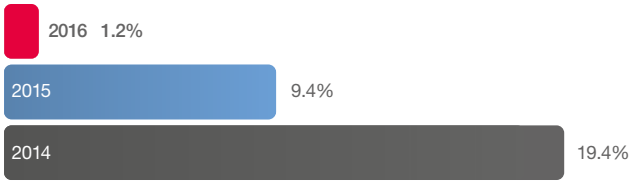
Patricio Lacalle
Chief Executive

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.

Revenue
March 2014-2016 £m

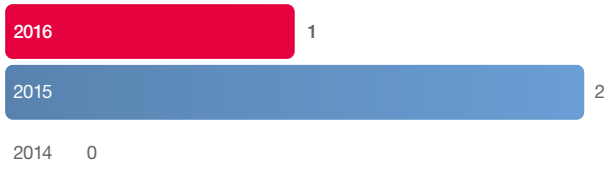
Adjusted* EBIT margin
March 2014-2016 £m



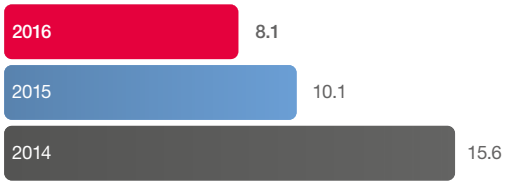
* Before exceptional items.

Non-25-OH Vitamin D automated
March 2014-2016 £m

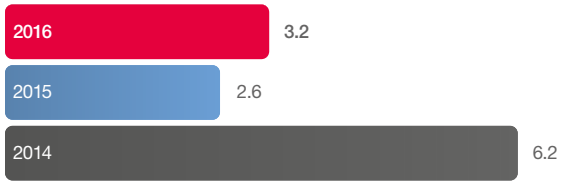
Assay launches (CE marked)



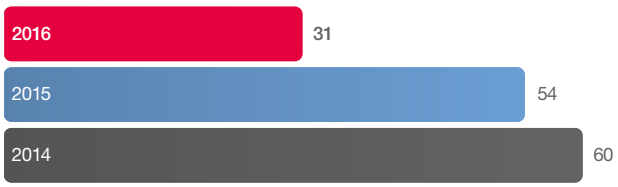
Cash generated from operations
March 2014-2016 £m



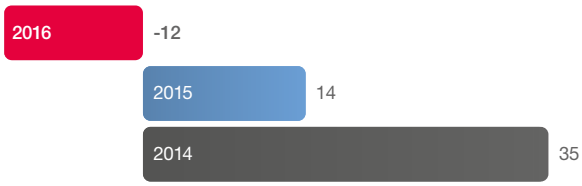
Free cash flow
March 2014-2016 £m



Direct instrument placements – Gross



Direct instrument placements – Net



FINANCIAL REVIEW

Pre-exceptional EBIT declined from £4.2m in FY 2015 to £0.5m in FY 2016 as a result of a 15.6% decline in revenue. Cash increased from £23.7m at 31 March 2015 to £26.6m at 31 March 2016.

Paul Martin
Group Finance Director

Overview

From a financial perspective, the year ending 31 March 2016 was another disappointing year for the Group. Pre-exceptional earnings before interest and tax ("EBIT") for the year ended 31 March 2016 were £0.5m (2015: £4.2m), a reduction of £3.7m. This was driven by a decline in Group revenue to £38.3m (2015: £45.4m), coupled with a drop in gross margin to 58.6% (2015: 62.5%), offset by a reduction in operating costs to £18.6m (2015: 20.8m). Despite these poor results, the cash and cash equivalents balance increased to £26.6m (2015: £23.7m).

Summary Profit & Loss

Year ended 31 March	**2016 £000**	2015 £000	% Change
Revenue	**38,305**	45,362	(15.6)
Gross profit	**22,465**	28,331	(20.7)
Gross margin	**58.6%**	62.5%	(6.2)
Sales & marketing	**(9,106)**	(9,922)	(8.2)
Research & development	**(1,032)**	(1,627)	(36.6)
General & administrative expenses	**(8,462)**	(9,236)	(8.4)
Total operating costs	**(18,600)**	(20,785)	(10.5)
Depreciation and amortisation	**(3,399)**	(3,298)	3.1
Underlying EBIT	**466**	4,248	(89.0)
Exceptional items	**(37,266)**	(983)	
Statutory EBIT	**(36,800)**	3,265	

Reclassification of costs

As noted in the Half Yearly Report, to ensure that the Group's financial performance can be more easily benchmarked with its peer group, a reclassification has been made to classify exchange gains and losses from Administrative expenses to Finance Income/Expense. These exchange gains and losses relate to the retranslation of intercompany funding and cash balances and therefore are more appropriately classified in Finance Income/Expense. The Board believes this will give users of the accounts greater visibility of the components of Administrative expenses, improving the comparability from period-to-period.

The effect of this adjustment to the previously reported 2015 accounts was to increase finance income by £0.7m and increase administrative costs by £0.7m. The change does not impact the overall group profit before tax or the net cash flow. More details of the impact can be seen in Note 1 in the accounts.

Revenue

Group revenue of £38.3m (2015: £45.4m) decreased by £7.1m, or 15.6%. On a like-for-like basis – excluding the contribution from Diametra and at constant exchange rates, the decline amounted to £8.1m, or 18.4%.

Revenue by geography

	Including Diametra				Excluding Diametra			
	Revenue £000		% Change		Revenue £000		% Change	
	2016 £000	2015 £000	Change	Change at constant FX	**2016 £000**	2015 £000	Change	Change at constant FX
US	**13,852**	16,208	(14.5%)	(20.7%)	**13,852**	16,208	(14.5%)	(20.7%)
Europe	**18,326**	20,987	(12.7%)	(6.4%)	**16,514**	20,813	(20.7%)	(15.0%)
Rest of World	**6,127**	8,167	(25.0%)	(22.5%)	**5,063**	6,780	(25.3%)	(23.7%)
Group revenue	**38,305**	45,362	(15.6%)	(14.4%)	**35,429**	43,801	(19.1%)	(18.4%)

Revenue by geography

The Group's US revenues declined compared to the prior year by 14.5%, or 20.7% at constant exchange rates. This was driven by significant declines in the manual and automated business, offset by a low level of growth in licensing and technology income. In Europe, we saw a decline in revenues of 12.7%, or 6.4% at constant exchange rates. Excluding the Diametra acquisition, revenues declined 20.7%, or 15.0% at a constant exchange rate. In the rest of the world, revenues declined by 25.0%, or 22.5% at constant exchange rates. Manual and automated revenues fell across all regions, mainly due to the significant declines in 25-OH Vitamin D revenues set out in the Operational Review.

Gross profit and gross margin

Gross profit in the year was £22.5m (2015: £28.3m), a decline of £5.8m. Gross margin reduced to 58.6% (2015: 62.5%).

This is largely due to the fixed nature of a portion of the Group's production costs in the short run. In the medium to long term we target a gross margin of around 60%.

Operating costs

The Group capitalised a number of product development projects during the year, encompassing instrument and new assay developments. The costs capitalised within other administrative expenses relate to the implementation of a new ERP system for the Group.

Costs are capitalised once all the recognition criteria of IAS 38 Intangible Assets are met. The total amount of costs capitalised increased from £3.1m in 2015 to £3.3m in 2016. 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.

Operating costs, before the capitalisation of internal development costs, decreased by 8.3% to £21.9m (2015: £23.9m).

Despite the reduction in revenue, the Group has continued to invest in R&D activities, as new products are urgently required to drive future revenue growth. Gross R&D spend (i.e. pre-capitalisation) of £4.0m (2015: £4.3m) amounted to 10.4% (2015: 9.4%) of revenue.

Operating costs

The Group's total operating costs are comprised of:

	2016			2015		
	Gross £000	**Costs capitalised £000**	**Net £000**	Gross £000	Costs capitalised £000	Net £000
Sales & marketing	**(9,106)**	**–**	**(9,106)**	(9,922)	–	(9,922)
Research & development	**(3,998)**	**2,966**	**(1,032)**	(4,258)	2,631	(1,627)
General & administrative expenses	**(8,767)**	**305**	**(8,462)**	(9,681)	445	(9,236)
Operating costs (pre-exceptional)	**(21,871)**	**3,271**	**(18,600)**	(23,861)	3,076	(20,785)

Operating costs decreased by 10.5% to £18.6m (2015: £20.8m).

FINANCIAL REVIEW
CONTINUED

Payroll costs
Payroll costs are £16.1m (2015: £17.0m), a decline of 5.2%. This is reflected by the reduction in full-time equivalent staff to 315 (2015: 346) at year end. The majority of the headcount drop took place in the production and administrative areas of the business, while the headcount in assay R&D increased slightly.

Cost focus
As set out earlier, cost control is one of the four pillars of the Group's strategy.

We will continue to invest in:

a) Our ability to expand our assay menu through research and development activities; and
b) Strengthening the quantity and quality of our sales team.

Therefore, while the Group will continue to strive for operational efficiency in these areas, they will be ring-fenced from any significant cost reduction projects.

Focusing on the remaining areas of the business, we are in the process of identifying areas where costs can be reduced. Generically, initiatives include reducing our operational capacity to meet the reduced level of demand, consolidating and simplifying our management structure, and internally benchmarking the various functions of the business across regions to identify best practice.

The first project, initiated in January 2016, was the consolidation of automated production and R&D activities to our site in Liege. This will reduce operating costs by around £0.5m per year and, by simplifying the geographical footprint and management structure of the automated business, should drive improvements in our R&D and production processes. The consolidation of operations will be completed by December 2016.

A number of other projects to reduce costs have been identified, ranging from easily won cost efficiency savings to more involved structural reorganisations. Over the course of FY 2017, the intention is to identify and action a further £2.0m–£2.5m per annum in operational cost savings, with related one-off restructuring costs estimated in the region of £2.0m.

Finance expense
Net finance expense was £0.2m (2015: income of £0.8m). Included within net finance expense is foreign exchange loss of £0.3m (2015: gain of £0.7m).

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

Year ended 31 March	**2016 £000**	2015 £000
Transaction costs	**–**	(561)
Restructuring costs	**(362)**	(422)
Repayable grant release	**1,323**	–
Impairment of goodwill, intangible assets and tangible fixed assets	**(38,227)**	–
Total exceptional costs	**(37,266)**	(983)

In the year-ended 31 March 2016 the Group consolidated automated product development and production into our Liege site. The resulting restructuring costs, comprising redundancy costs and an onerous lease provision in our Boldon location, amounted to £0.4m.

Additionally we released a historical repayable grant amounting to £1.3m related to a research grant, upon obtaining written confirmation from the grantor that no further amounts would be repayable.

In the year-ended 31 March 2015 there were £0.6m of transaction costs incurred in relation to the acquisition of Diametra and an aborted transaction. Additionally, £0.4m restructuring costs were incurred relating to senior management changes.

Asset impairment review
In accordance with IAS 36, we annually review the goodwill and indefinite-lived intangible assets for impairment. Additionally, impairment reviews may occur if there are any triggering events or changes in circumstances which may indicate that the carrying amount of goodwill is not recoverable. For the purposes of this goodwill impairment review, the Board considers it currently has one single cash generating unit ("CGU"), being the entirety of the IDS business. The Group performed an impairment review at 31 January 2016, and then updated this review at 31 March 2016 (the valuation date).

As a result of this review, the recoverable value of the IDS CGU was below the carrying value of the Group's assets. This has resulted in an impairment charge of £38.2m being recognised in the 2016 accounts, along with the reversal of a deferred tax liability on the assets impaired of £4.1m, leading to a reduction in net assets of £34.1m. In accordance with IAS 36, this impairment was allocated firstly against goodwill and then the remainder was allocated to the other assets in the Group on a pro-rata basis, unless it was clear an individual asset was not impaired.

As a result, the asset write down has been allocated as follows:

	£000's		
	Balance before write down	Impact of write down	Balance after write down
Goodwill	16,496	(16,496)	–
Other intangible assets	13,065	(13,065)	–
Capitalised internal costs	17,650	(8,439)	9,211
Plant and equipment	9,856	(227)	9,629
Deferred tax liability	(5,100)	4,099	(1,001)
Total		**34,128**	

These adjustments did not impact the Group's cash flow or cash on hand at 31 March 2016. Details of this impairment calculation are provided in Note 14 to the accounts.

Taxation

The tax credit of £4.9m (2015: charge of £1.7m) gives a full-year effective rate of 13.1% (2015: 42.0%). It comprises a current tax credit of £0.4m and a deferred tax credit of £4.5m. The current tax credit was impacted by a prior year credit of £0.7m arising largely from UK Patent Box relief claims. The deferred tax credit has arisen mainly due to the write off of assets explained earlier, which led to the release of a deferred tax liability amounting to £4.1m.

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 4.7p (2015: 11.1p).

Basic loss per share is 109.7p, (2015: earning per share of 8.1p), the abnormal result being mainly driven by the significant non-cash impacting asset impairment charge explained earlier.

Balance sheet

The Group's shareholders' funds at 31 March 2016 were £51.6m (2015: £80.4m).

The fixed assets of the Group consist primarily of property (2016: £1.9m, 2015: £1.9m), IDS-iSYS instruments (2016: £4.1m, 2015: £5.1m) and other tangible fixed assets (2016: £3.6m, 2015: £3.3m), goodwill (2016: £nil, 2015: £15.3m), capitalised development costs (2016: £9.2m, 2015: £15.1m) and other intangible fixed assets (2016: £nil, 2015: £15.5m). As at 31 March 2016, the Group had cash and cash equivalents of £26.6m (2015: £23.7m).

Cash flow

IDS generated cash flows from operations of £8.1m (2015: £10.1m). Free cash flow for the year was £3.2m (2015: £2.6m).

Foreign exchange

In the period, 50% of the Group's revenues were denominated in Euros, 40% US Dollars, 9% Sterling and 1% other currencies. The average exchange rates used to translate revenue in the year were:

Average exchange rates	**2016**	2015	Weakening/ (strengthening) against Sterling %
Sterling: US Dollar	**1.51**	1.62	(7.2)
Sterling: Euro	**1.37**	1.27	8.3

The impact of the movement in exchange rate changes on the results for the year was to decrease reported revenue by £0.5m compared to the rates used in 2015.

Dividend

The Board is proposing a dividend for the year of 1.2p (2015: 3.0p) subject to the approval of shareholders at the Annual General Meeting on 28 July 2016. If approved, the dividend will be paid on 19 August 2016 to shareholders on the register at the close of business on 22 July 2016.

Paul Martin
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 periodic 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.

Description	Possible impacts	Mitigating factors	Risk trends
ROYALTY INCOME RISK			
The Group derives a significant proportion of its revenue (c.15%) from royalties derived from a small number of customers. Subsequent to the year end, the largest customer has notified IDS that, during the first calendar quarter of 2016, they commenced the transition of their business from the assay on which IDS received royalty income to a new proprietary assay. IDS are not entitled to royalties on the new assay. As a result we anticipate the royalty income to reduce significantly during the year ending 31 March 2017.	**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.	▲
PRODUCT PORTFOLIO RISK			
The Group derives a significant proportion of its revenue from its 25-OH Vitamin D products. These revenues have declined in recent years predominantly due to increased competition. There is a risk that a range of factors including increased competition, changes in reimbursement and alternative assays could adversely impact the Group's 25-OH Vitamin D revenues.	**Loss of revenue and profit.**	The Group is seeking to diversify its revenue stream by developing a broader range of automated assays.	–
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. Compliance with these regulations is subject to audit by regulatory agencies on a periodic basis. In addition, changes to regulation, such as implementation of the new EU IVD regulations, introduce major changes to the regulatory processes for IVD 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.** **Loss of long term growth potential.**	The Group is seeking to reduce this risk by developing assays through a validated design control process. This process encompasses research, development, manufacturing and post-launch activities to seek to ensure all functions are working under the same quality framework. The Group is seeking to foster a culture where quality is the number one priority. The Group looks to employ suitably qualified staff, consults, where necessary, with regulatory advisers and regulatory approval bodies, and works with experienced distribution partners to ensure any regulatory requirements are met.	–

▲ Increased risk
▬ No change
▼ Decreased risk

Description	Possible impacts	Mitigating factors	Risk trends
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.	**Loss of revenue and profit.** **Worse competitive position.** **Loss of long-term growth potential.**	The Group is seeking 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.	▬
REIMBURSEMENT 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. Recent budgetary constraints has meant lower reimbursement rates for several of the Group's key products in various territories.	**Loss of revenue and profit.** **Loss of long-term growth potential.**	The Group is seeking to diversify its revenue stream by developing a broader range of automated assays to reduce the reimbursement risk from one assay.	▬
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.**	The Group is working on building cross-functional business continuity and disaster recovery plans to ensure we can respond in an effective and managed way to a variety of situations. The Group is seeking 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.	▬

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Description	Possible impacts	Mitigating factors	Risk trends
SUPPLY RISK			
The Group is reliant on certain key suppliers of raw materials, components, finished products and packaging materials. For example, lack of sufficient supply of a critical reagent such as a polyclonal antibody could result in our inability to manufacture products, leading to a loss of revenue and profits and potentially a loss of customers.	**Loss of revenue and profit.**	The Group endeavours to secure critical reagent supply and, where possible, contractual relationships with key suppliers to ensure continuity of availability of supply and sufficient notice of any supply disruption. In addition, where possible, the Group tries to put in place second sources or increased inventories for critical components.	–
PLACEMENT RISK			
The Group's mid-term strategy and revenue and profit forecast are built upon the assumption of a return to growth in the net placements 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 is focused on improving its product offering through improved instrumentation and through making available to current and prospective customers a larger menu of automated assays.	▲
STAFF TURNOVER RISK			
The Group's continued success is dependent on key employees and their ongoing relationships with key stakeholders such as customers and suppliers. Increased staff turnover and the disruption this may cause can impact execution of strategy and potentially impact shareholder value creation.	**Loss of revenue and profit.**	The Group performs succession planning within the management team to ensure any disruption is kept to a minimum.	▲
CYBER RISK			
As we and our customers and suppliers increasingly digitalise our businesses, there is an increased risk that third parties may seek to disrupt our online business operations, steal customer data or perpetrate acts of fraud using digital media.	**Reputation damage, loss of revenue and profit.**	We're focused on maintaining a robust and secure IT environment that protects our customer and corporate data. This involves specific activities, such as penetration testing of our key systems, coupled with continued education of employees around cyber risk.	–

Description	Possible impacts	Mitigating factors	Risk trends
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. 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.**	The Group trains staff to understand the Group's legal and regulatory obligations and ensure compliance. The Group operates a whistle-blower policy to provide an independent reporting channel for employees and third parties to report any concerns on these matters. The Group is in regular contact with healthcare professionals and legal advisers to ensure we are aware of our ongoing legal and regulatory responsibilities.	—
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.	▲

The Strategic Report on pages 4 to 25 of the Annual Report & Accounts 2016 has been approved by the Board of Directors.

By order of the Board,

Paul Martin
Company Secretary
21 June 2016

BOARD OF DIRECTORS

Dr Burkhard Wittek
Non-executive Chairman

Burkhard holds an MBA from Harvard Business School. After working for Dresdner Bank AG he spent 13 years with The Boston Consulting Group where he was a senior partner with worldwide responsibility for the consumer goods retail and healthcare sectors. In 1990 he founded FORUM Family Office GmbH, which makes long-term investments in German Private Equity and European Small and Midcap publicly quoted companies. The healthcare sector is a focus area of FORUM as well as companies undergoing transitions.

Mr Patricio Lacalle
Chief Executive Officer

Patricio joined IDS as CEO on 1 April 2015. Previously, Patricio was the CEO of Pulsion Medical Systems SE, a medical technology company with a leading market position in hemodynamic monitoring. Before Pulsion, Patricio held a number of senior management positions at Forbo Adhesives and HB Fuller.

Mr Paul Martin
Group Finance Director

Paul joined IDS as Group Finance Director on 4 January 2016. Previously Paul was based in Singapore as CFO of Volex plc's Power Division, a major manufacturer of electrical power cables, with operations throughout Asia. Paul qualified as a Chartered Accountant with Deloitte in 2002, and subsequently worked in a number of senior finance roles in the technology sector.

Mr Roland Sackers
Senior Independent
Non-executive Director

Roland joined IDS in 2011 as Non-executive Director and Chair of the Audit Committee.

Since 2004, he has been Chief Financial Officer and Managing Director of QIAGEN N.V. As CFO, Roland spearheads the creation and execution of long-term financial plans which enable QIAGEN to execute its accelerated growth strategy.

Prior to joining QIAGEN in 1999, Roland acted as an auditor with Arthur Andersen. He holds a Masters degree in Business Administration (Diplom-Kaufmann) from the University of Munster.

Mr Till Campe
Non-executive Director

Till is an associate at FORUM Family Office GmbH, having joined FORUM in 2011. He holds a BA in Ancient and Modern History from the University of Oxford.

Mr Peter Williamson
Non-executive Director

Peter joined IDS on 15 June 2015. He holds a Master of Business Administration from the University of Edinburgh. Between 1993 and 2010, he worked in various positions for BTR Automotive, Metzeler, Trelleborg, Xerium Technologies and IBP Group in locations in Europe, the US and Asia. Since 1999 he has worked in businesses owned by private equity with Metzeler belonging to CVC and Xerium Technologies an Apax portfolio business. His final executive position was as Group CEO for IBP Group (a Sun Capital Partner portfolio business) and since then has worked as an operating partner for Better Capital and currently has a portfolio of non-executive appointments.

Dr Peter Kaspar
Non-executive Director

Peter has over 35 years experience in life sciences and diagnostics. From 2005 to 2011, he was a member of the Management Committee of bioMérieux S.A where he worked as Head of the Molecular Diagnostics unit, Head of Global Research & Development and Head of the Microbiology unit. Prior to bioMérieux, he spent a significant part of his career with Roche Diagnostics (formerly Boehringer Mannheim GmbH) in Europe, Latin America and the US, with responsibilities in strategy, business development and R&D management. He holds a PhD in biochemistry from the University of Muenster.

DIRECTORS' REPORT

The Directors submit their report and audited financial statements of the Company and of the Group for the year ended 31 March 2016.

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 4 to 25.

Results and dividend

The Group's loss for the year attributable to owners of the parent was £32.2m (2015: profit of £2.4m). No interim dividend was paid (2015: £nil) and the Directors have recommended a final dividend of 1.2p (2015: 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, fertility and growth.

Directors

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

Director	Position
Dr B Wittek	Non-executive Chairman
Mr P Lacalle (appointed 1 April 2015)	Chief Executive Officer
Mr P J Martin (appointed 4 January 2016)	Group Finance Director
Mr C H F Yates (resigned 30 June 2015)	Group Finance Director
Dr E D Blair (resigned 7 August 2015)	Non-executive Director
Mr R Sackers	Non-executive Director
Mr T B Campe	Non-executive Director
Mr P J Williamson (appointed 15 June 2015)	Non-executive Director
Dr K P Kaspar (appointed 1 November 2015)	Non-executive Director

All Directors served throughout the year, unless indicated. The Directors held no share options in the Company at either 31 March 2015 or 31 March 2016.

Directors' indemnity

As permitted by the Company's Articles of Association, indemnities for each Director of the Company were granted on 2 May 2013 to the Directors holding office at that time. Subsequently, indemnities were granted to B Wittek and T Campe on 24 November 2014, P Lacalle on 28 April 2015, P J Williamson on 16 June 2015, K P Kaspar on 10 November 2015 and P J Martin on 4 January 2016.

Remuneration report

The Remuneration report set out on pages 35 to 38 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 which 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 provide business and 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; and
- the Group will educate and motivate staff to be environmentally aware.

The Group's main operation is within the 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. The Group produces products adhering to the requirements of Good Manufacturing Practice ('GMP') required by the 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 38 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 22 to 25.

Related party transactions

Transactions occurring with associated undertakings are detailed in Note 31 to the financial statements.

Annual General Meeting

The Company's Annual General Meeting will be held on Thursday, 28 July 2016 at 12 noon at 10 Didcot Way, Boldon, Tyne and Wear, NE35 9PD.

Auditors

Ernst & Young LLP have held office as Company auditor throughout the year and will be recommended for re-appointment at the Annual General Meeting to be held on Thursday, 28 July 2016.

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 shown on pages 26 and 27. 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,

Paul Martin
Company Secretary
21 June 2016

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, the latest version of which was published in September 2014 ('Code'). IDS use the provisions of the Code as a guideline, but reserves the right to deviate from it where it finds this appropriate.

In adopting the principles of good governance, the Directors have also 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.

1. Setting out the vision and strategy

The Company strategy is shaped and formulated by the Chief Executive Officer and Executive Team in regular discussions with the Board. The final strategy is approved by the full Board. 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.

2. 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. The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 22 to 25 of this Annual Report. These risks are reviewed by the Audit Committee at least biannually, which will report its findings to the Board.

3. Articulating strategy through corporate communication and investor relations

The Board is committed to maintaining an open dialogue with shareholders. Communication with shareholders is co-ordinated by the Chairman, Chief Executive Officer and Group Finance Director.

Throughout the year, the Board maintains a regular dialogue with institutional investors, 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. Twice a year, at the time of announcing the Group's half and full-year results, the Company does a round of visits to its major shareholders to update them on developments and to receive feedback and suggestions from them.

The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All reports and press releases are published on the Group's website (www.idsplc.com).

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.

4. Meeting the needs and objectives of your shareholders

The business model of the Company is based on long-term commitments to both Research & Development and the placement of instruments based on multi-year contracts. The Company believes that shareholders understand the long-term nature of the Group's business model and have a long-term orientation.

5. Meeting stakeholder and social responsibilities

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that 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 that it has a responsibility to take into account, where practicable, the social, environmental and economic impact of its approach.

6. Using cost-effective and value added governance arrangements

The Board designs 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 their 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 is designed to ensure 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 have, in the past, believed the controls in place have been appropriate for the size and complexity of the Group's activities. The Board intends to keep this under review.

7. 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 day-to-day responsibility for the business operations of the Company and the Non-executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Chairman is primarily responsible for focusing the Board discussions on the key levers for value creation and risk management as well as the effective running of the Board process. In addition to shaping such a Board culture he is responsible for making sure that all members are fully informed and qualified to take the required decisions. For this purpose, Non-executive Directors spend time with the Executive Team between Board meetings, covering certain aspects of the business where they have special expertise.

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 and to undertake any relevant training (both at the Company's expense, where appropriate).

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.

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

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

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.

8. 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.

9. Having balance on the Board

As at 31 March 2016, the Board comprised two Executive Directors, a Non-executive Chairman and four other Non-executive Directors. Details of the current Directors are set out on pages 26 and 27. The Board will continue to review its structure in order to provide what it considers to be an appropriate balance of executive and non-executive experience and skills. The Board look to meet in a formal manner on a bi-monthly basis at the head office in Boldon, Tyne & Wear or elsewhere, with additional meetings held as required.

A summary of Board and Committee meetings attended in the 12 months to 31 March 2016 is set out below:

Six formal Board meetings were held in the year to 31 March 2016.

	Remuneration Committee meetings		Audit Committee meetings		Board meetings	
Director	Attended	Eligible	Attended	Eligible	Attended	Eligible
Dr B Wittek	3	3	3	3	6	6
Mr P Lacalle[i]	0	0	0	0	6	6
Mr P J Martin[ii]	0	0	0	0	1	1
Mr C H Yates[iii]	0	0	2	2	2	2
Dr E D Blair[iv]	2	2	2	2	2	2
Mr R Sackers	1	1	3	3	6	6
Mr T B Campe	3	3	0	0	6	6
Mr P J Williamson[v]	2	2	1	1	5	5
Dr K P Kaspar[vi]	1	1	0	0	2	2

i Mr P Lacalle was appointed as a Director on 1 April 2015.
ii Mr P J Martin was appointed as a Director on 4 January 2016.
iii Mr C H F Yates resigned as a Director on 30 June 2015.
iv Dr E D Blair resigned as a Director on 7 August 2015.
v Mr P Williamson was appointed as a Director on 15 June 2015.
vi Dr K P Kaspar was appointed as a Director on 1 November 2015.

The Nomination Committee only meets as matters arise.

The QCA code suggests a board should have at least two independent Non-executive directors. IDS has three independent Non-executive directors: Mr R Sackers, Mr P J Williamson and Dr K P Kaspar.

B Wittek is Director of FORUM Venture Capital GmbH and European Smallcaps GmbH, a shareholder holding c.27% of the Group's shares and votes. The Code suggests that any person representing a shareholder with more than 10% of the vote is not independent, and by this criterion he is not. T Campe, a Non-executive Director, is an employee of FORUM European Smallcaps, but not a Director. The Code does not give a clear answer whether this makes him independent or not. Feedback from several shareholders has supported this Board structure: they prefer to have Board members whose interests are aligned with their own through an ownership stake in the business.

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.

9. Having balance on the Board continued

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 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.

10. 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.

The Board has established the following Committees:

Audit Committee

The Audit Committee comprises three Non-executive Directors, Mr R Sackers (a qualified accountant with relevant financial experience and Chairman of the Committee), Mr P J Williamson and Dr B Wittek. 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 external auditor and reviewing reports from the external auditor. It meets with the external 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 three Non-executive Directors, Mr P J Williamson (Chairman), Mr T B Campe and Dr K P Kaspar.

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 three Non-executive Directors, Dr B Wittek, Mr R Sackers and Mr P J Williamson. 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.

11. Evaluating Board performance and development

Due to the number of changes to the Board, it was not considered appropriate to conduct a formal review into the effectiveness of the Board, during the period under review. After this period of change, the Board now believes it has an appropriate composition to ensure it has the necessary skills to support the development of the business. During the year ended 31 March 2017 we intend to perform a formal review of Board effectiveness.

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

12. 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. The agenda for each Board meeting is agreed in advance between the Directors. Agenda items focus on the key matters and risks facing the business, along with items related to the strategic direction of the business.

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

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 adviser 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,

Paul Martin
Company Secretary
21 June 2016

DIRECTORS' REMUNERATION REPORT

Introduction and compliance

I am pleased to present the Remuneration Report for 2015/16 to you as the owners of our business. Our policy of relating pay to the Company's business priorities and its performance continues to be the strong principle underlying the Remuneration Committee's consideration of executive remuneration.

The Remuneration Committee of the Board exercises a compensation philosophy which guides the design and direction of specific compensation programmes, which inevitably involve broad-based considerations relative to performance, objectives, bonus payments, share options and other benefits. The Company's compensation 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 and the Executive Team, it both grants and approves share-based schemes. The remuneration of Non-executive Directors is determined by the Board as a whole.

Our aim is 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.

In summer 2015 a new co-investment plan ('CIP') was approved at the AGM and we will now start to integrate this into the business in order to incentivise the management team to see beyond the current restructuring phase, and to share in the recovery phase.

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 28 July 2016.

Remuneration Committee

The Remuneration Committee has been established by the Board and has responsibility for executive remuneration. The committee is chaired by Mr P Williamson, Non-executive Director and includes Mr T Campe Non-executive Director and Dr K Kaspar, Non-executive Director. Nicola Trewin, Group HR Director 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.

Non-executive Directors' remuneration

Policy

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 requirements for building an outstanding business. In this context, it is the Board's policy for the Non-executive Directors to be paid a level of fee that reflects remuneration of companies of a comparable size and market capitalisation. Non-executive Director's remuneration comprises of a basic fee.

Non-executives do not participate in the co-investment plan, 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 by giving the relevant notice period.

Non-executive Directors' remuneration continued

Policy continued

The dates of the Letters of Appointment for the Non-executive Directors who served during the year ended 31 March 2016 are:

Non-executive Director	Date of letter of appointment	Date of expiry
Dr E D Blair[i]	17 April 2014	16 April 2017
Dr B Wittek	25 November 2014	24 November 2017
Mr T Campe	25 November 2014	24 November 2017
Mr R Sackers	23 April 2014	22 April 2017
Mr Peter Williamson[ii]	15 June 2015	14 June 2018
Dr Peter Kaspar[iii]	1 November 2015	31 October 2018

i Dr E D Blair left the Board on 4 August 2015.
ii Mr Peter Williamson was appointed to the Board on 15 June.
iii Dr Peter Kaspar was appointed to the Board on 1 November 2015.

Implementation in FY 2016

In FY 2016, the Executive Members of the Board agreed to leave the Non-executive fees frozen.

The aggregate amount of fees paid to Non-executive Directors during the year was £202,000 (2014/2015: 271,000). This is a decrease of £69,000 (-25%) compared with FY 2015.

Executive Directors' remuneration

Policy

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 performed benchmarking of the Executive Directors' and Executives Team's remuneration and consulted with the major shareholders on the long-term incentive plan. Remuneration policies continue to be framed around the following key components, which together comprise the total remuneration package.

The total remuneration package seeks to balance:

- Fixed remuneration, being base salary plus benefits in kind;
- Performance-related rewards in the form of the 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 size and market capitalisation, and against the cash compensation paid in quoted UK medtech companies of a comparable size and market capitalisation. 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.

Performance-related rewards

- The Company operates an annual bonus plan. It is structured as a capped arrangement with the maximum payout ('the cap') defined as a percentage of the individual's base salary. The respective ratios were again determined by benchmarking based on data on comparable listed companies plus evaluation of additional medtech companies.
- The current management team were put in place during a period of significant deterioration in business performance, as reported in the prior year Annual Report and Accounts, and the bonus targets for 2015/16 were set with this background and reflected the need for management to take fundamental actions to improve the rate of baseline decline.
- 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 target as performance which is clearly above average internally and above the level of internal performance implied by businesses with the performance issues the Company faced from 2015 onwards.

Executive Directors' remuneration continued

Policy continued

- 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 payout for financial corporate targets is achieved when the numerical targets have been met. Full payout for personal targets is achieved when the targets are clearly met.
- The Remuneration Committee reserves the right to exercise discretion in case targets have not been clearly met or missed by a small percentage in two cases: major external events which could not have been foreseen or over achievement in other goals.

Implementation in FY 2016

During FY 2016, both current Executive Directors joined the business. Their remuneration was determined based on the benchmarking steps described earlier in this report and their salary will remain unchanged during FY 2016/17.

In FY 2016, with respect to performance-related rewards, there is a payment for Corporate Objectives, equating to 20% out of a possible 70%. The Remuneration Committee believes that this is a fair reward for the management's efforts to change the Company's performance trajectory.

The remaining 30% was based on individual objectives and the payment for these individual objectives equated to 21% of a possible 70%.

Co-Investment Plan/CIP

Policy

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.

Summary of Directors' remuneration

The remuneration in respect of qualifying services of each person who served as a Director during the financial year ended 31 March 2016 is shown below. No Director took part in discussions or decisions relating to their own remuneration.

	2016 Remuneration				Pension		
	Salary £000	Bonus £000	Benefits £000	Total £000	2015 £000	2016 £000	2015 £000
Executive Directors' (salary)							
Dr P O Dahlen[i]	–	–	–	–	221	–	20
Mr C H F Yates[ii]	45	–	–	45	182	4	17
Mr P Lacalle[iii]	286	62	10	358	–	24	–
Mr P J Martin[iv]	39	8	13	60	–	4	–
Sub-total	370	70	23	463	403	32	37
Non-executive Directors' (fees)							
Dr A F Martin[v]	–	–	–	–	105	–	–
Dr B Wittek[vi]	80	–	–	80	28	–	–
Dr E D Blair[vii]	14	–	–	14	58	–	–
Mr R Sackers	42	–	–	42	70	–	–
Mr T Campe[viii]	30	–	–	30	10	–	–
Mr P J Williamson[ix]	24	–	–	24	–	–	–
Dr K P Kaspar[x]	13	–	–	13	–	–	–
Sub-total	203	–	–	203	271	–	–
Total	573	70	23	666	674	32	37

i Dr P Dahlen resigned as CEO on 24 November 2014 and left the Company on 4 January 2015. Dr Dahlen received £164,229 as compensation (including £15,021 pension contribution).
ii Mr C Yates resigned as a Director on 4 December 2014 and left the Company on 30 June 2015.
iii Mr P Lacalle was appointed as CEO on 1 April 2015.
iv Mr P J Martin was appointed as Group Finance Director on 4 January 2016.
v Dr A Martin resigned as Chairman on 25 November 2014 and received £40,299 as compensation (including £399 pension contribution).
vi Dr B Wittek was appointed Chairman on 25 November 2014. Dr Wittek was acting Executive Chairman from 4 January 2015 to 1 April 2015.
vii Dr E D Blair resigned as a Non-executive Director on 4 August 2015.
viii Mr T Campe was appointed as a Non-executive Director on 25 November 2014.
ix Mr P J Williamson was appointed as a Non-executive Director on 15 June 2015.
x Dr K P Kaspar was appointed as a Non-executive Director on 1 November 2015.

Share awards and options granted to Directors

No share options were held by Directors in office at 31 March 2016 at the beginning or end of the financial year.

By order of the Board,

Peter Williamson
Chairman of Remuneration Committee
21 June 2016

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 financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared Group financial statements under IFRSs as adopted by the European Union. The Directors are responsible for preparing the Directors' report and Strategic report and the Company financial statements in accordance with UK Accounting Standards and applicable law.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- State for the Company financial statements whether the applicable UK Accounting Standards have been followed subject to any material departures being disclosed and explained.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the 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 2016 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of cash flows, the Consolidated statement of changes in equity, the related Notes 1 to 40 to the Consolidated financial statements, the Company balance sheet and Notes 1 to 12 to the Company financial statements. 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), including FRS 101 'Reduced Disclosure Framework'.

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 39, 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 2016 and of the Group's loss 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, including FRS 101 'Reduced Disclosure Framework'; 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
21 June 2016

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2016

	Notes	2016 £000	2016 £000	2015 £000	2015 £000
Revenue	2, 3		**38,305**		45,362
Cost of sales			**(15,840)**		(17,031)
Gross profit			**22,465**		28,331
Sales and marketing			**(9,106)**		(9,922)
Research and development			**(1,032)**		(1,627)
General and administrative expenses			**(8,462)**		(9,236)
Operating costs pre-exceptional items			**(18,600)**		(20,785)
Exceptional items					
Transaction costs	4	**–**		(561)	
Restructuring costs	4	**(362)**		(422)	
Repayable grant release	4	**1,323**		–	
Impairment of goodwill and other intangibles	4	**(38,227)**		–	
Total exceptional items			**(37,266)**		(983)
			(55,866)		(21,768)
Depreciation and amortisation			**(3,399)**		(3,298)
(Loss)/profit from operations	4		**(36,800)**		3,265
Finance income	7		**169**		846
			(36,631)		4,111
Finance costs	8		**(392)**		(58)
(Loss)/profit before tax			**(37,023)**		4,053
Income tax income/(expense)	9		**4,853**		(1,701)
(Loss)/profit for the year attributable to owners of the parent			**(32,170)**		2,352
Earnings/(loss) per share					
From continuing operations					
Adjusted basic	11		**4.7p**		11.1p
Adjusted diluted	11		**4.7p**		11.0p
Basic	11		**(109.7p)**		8.1p
Diluted	11		**(109.7p)**		8.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	2016 £000	2015 £000
(Loss)/profit for the year	**(32,170)**	2,352
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Currency translation differences	**3,741**	(5,905)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before tax	**3,741**	(5,905)
Tax relating to other comprehensive income to be reclassified to profit or loss in subsequent periods	**–**	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Remeasurement of defined benefit plan	**102**	(108)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, before tax	**102**	(108)
Tax relating to other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(34)**	36
Other comprehensive income, net of tax	**3,809**	(5,977)
Total comprehensive loss for the year attributable to owners of the parent	**(28,361)**	(3,625)

CONSOLIDATED BALANCE SHEET

31 March 2016

Company Registration No. 05146193

	Notes	2016 £000	2015 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**9,629**	10,264
Goodwill	14	**–**	15,326
Other intangible assets	15	**9,211**	30,574
Investments	18	**–**	–
Deferred tax assets	27	**26**	115
Other non-current assets	19	**294**	273
		19,160	56,552
Current assets			
Inventories	20	**7,509**	6,805
Trade and other receivables	21	**6,956**	7,414
Income tax receivable		**2,161**	2,600
Cash and cash equivalents	21	**26,554**	23,730
		43,180	40,549
Total assets		**62,340**	97,101
Liabilities			
Current liabilities			
Short-term borrowings	22	**–**	252
Short-term portion of long-term borrowings	22	**89**	110
Trade and other payables	25	**6,287**	5,632
Income tax payable		**3**	971
Provisions	28	**54**	82
Deferred income	29	**119**	147
		6,552	7,194
Net current assets		**36,628**	33,355
Non-current liabilities			
Long-term portion of long-term borrowings	22	**1,220**	1,238
Repayable grants		**–**	1,357
Provisions	28	**1,419**	1,135
Deferred tax liabilities	27	**1,551**	5,769
		4,190	9,499
Total liabilities		**10,742**	16,693
Net assets		**51,598**	80,408
Called up share capital	32	**588**	584
Share premium account	33	**32,263**	31,857
Other reserves	34	**2,460**	(1,281)
Retained earnings		**16,287**	49,248
Equity attributable to owners of the parent		**51,598**	80,408

The financial statements on pages 41 to 73 were approved by the Board of Directors and authorised for issue on 21 June 2016 and are signed on its behalf by:

Mr P Lacalle
Chief Executive Officer

Mr P J Martin
Group Finance Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Operating activities			
Cash generated from operations	35	**8,101**	10,109
Cash outflow related to exceptional costs		**(8)**	(1,168)
Income taxes received/(paid)		**95**	(161)
Net cash from operating activities		**8,188**	8,780
Investing activities			
Acquisition of subsidiary (net of cash acquired)	17	**–**	(2,540)
Purchases of other intangible assets		**(3,388)**	(3,587)
Purchases of property, plant and equipment		**(1,795)**	(2,872)
Disposals of property, plant and equipment		**188**	229
Interest received		**169**	158
Net cash used by investing activities		**(4,826)**	(8,612)
Financing activities			
Proceeds from issue of shares for cash		**410**	49
Repayments of borrowings		**(410)**	(116)
Interest paid		**(109)**	(58)
Dividends paid		**(876)**	(2,479)
Net cash used by financing activities		**(985)**	(2,604)
Net increase/(decrease) in cash and cash equivalents		**2,377**	(2,436)
Effect of exchange rate differences		**447**	(524)
Cash and cash equivalents at beginning of year		**23,730**	26,690
Cash and cash equivalents at end of year		**26,554**	23,730

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share capital (Note 32) £000	Share premium account (Note 33) £000	Other reserves (Note 34) £000	Retained earnings £000	Total £000
At 1 April 2014	583	31,809	4,624	49,570	86,586
Profit for the year	–	–	–	2,352	2,352
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	–	–	(5,905)	–	(5,905)
Remeasurement of defined benefit plan	–	–	–	(108)	(108)
Tax effect on remeasurement of defined benefit plan	–	–	–	36	36
Total comprehensive income	**–**	**–**	**(5,905)**	**2,280**	**(3,625)**
Transactions with owners					
Share-based payments	–	–	–	(71)	(71)
Tax benefit on exercise of share options	–	–	–	(52)	(52)
Dividends paid	–	–	–	(2,479)	(2,479)
Shares issued in the year	1	48	–	–	49
At 31 March 2015	**584**	**31,857**	**(1,281)**	**49,248**	**80,408**
At 1 April 2015	584	31,857	(1,281)	49,248	80,408
Loss for the year	–	–	–	(32,170)	(32,170)
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	–	–	3,741	–	3,741
Remeasurement of defined benefit plan	–	–	–	102	102
Tax effect on remeasurement of defined benefit plan	–	–	–	(34)	(34)
Total comprehensive income/(loss)	**–**	**–**	**3,741**	**(32,102)**	**(28,361)**
Transactions with owners					
Share-based payments	–	–	–	21	21
Tax recognised on share-based payments	–	–	–	(4)	(4)
Dividends paid	–	–	–	(876)	(876)
Shares issued in the year	4	406	–	–	410
At 31 March 2016	**588**	**32,263**	**2,460**	**16,287**	**51,598**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

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 if, and only if, the Group has:

- Power over the entity (existing rights that give it the current ability to direct the relevant activities of the entity)
- Exposure, or rights, to variable returns from its involvement with the entity
- The ability to use its power over the entity to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control.

Acquisitions

The acquisition method of accounting is used to account for the acquisition of subsidiary undertakings by the Company since the date of transition to IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. On acquisition, the assets and liabilities of a subsidiary undertaking, including identifiable intangible assets, are measured at their fair value at the date of acquisition.

The results and cash flows relating to the business are included in the consolidated financial statements from the date of combination.

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

c) Functional and presentation currencies

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

d) Foreign currencies

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

1. Accounting policies continued

d) Foreign currencies continued

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.

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.

1. Accounting policies continued

g) Other intangible assets continued

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.

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.

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.

1. Accounting policies continued

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

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. Assets not yet available for use are tested annually for impairment. 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.

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. An obligation to make statutory one-off payments to retiring employees of a subsidiary undertaking has been accounted for under IAS 19 Employee Benefits. The current service costs are taken to profit or loss and actuarial gains and losses are taken to other comprehensive income. There are no plan assets.

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.

1. Accounting policies continued

m) Financial instruments continued

Investments

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

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

Financial liabilities and equity

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

Bank borrowings

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

Trade payables

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

Equity instruments

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

Equity comprises the following:

- Share capital – 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.

1. Accounting policies continued

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.

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.

1. Accounting policies continued

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.

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 £9,629,000 (2015: £10,264,000). The net book value of goodwill and other intangible assets is £9,200,000 (2015: £45,900,000). Goodwill was fully impaired in the year ending 31 March 2016, with an impairment charge also being booked against other intangible assets.

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 37.

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.

1. Accounting policies continued

s) Key sources of estimation uncertainty continued

Recoverability of deferred tax assets

The Group has gross unused tax losses. Some of 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 2016 of deferred tax assets is £26,000 (2015: £115,000).

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 in relation to assay and instrument development as at 31 March 2016 is £9,211,000 (2015: £15,103,000), following an exceptional impairment charge in the year ending 31 March 2016 of £6,589,000.

Tax provisions

The Group recognises certain provisions and accruals in respect of tax which involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. This approach resulted in providing £1,305,000 as at 31 March 2016 (2015: £940,000).

The carrying amount is sensitive to the resolution of issues which is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can take many years to resolve and assumptions on the likely outcome have therefore been made by management.

The nature of the assumptions made by management when calculating the carrying amount relates to the estimated tax which could be payable as a result of decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain.

In making the estimates, management's judgement was based on various factors, including:

- The status of recent and current tax audits and enquiries;
- The results of previous claims; and
- Any changes to the relevant tax environments.

When making this assessment, we utilise our specialist in-house tax knowledge and experience of similar situations elsewhere to confirm these provisions. These judgements also take into consideration specialist tax advice provided by third party advisors on specific items.

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 2018)
IFRS 15 Revenue from Contracts with Customers (effective for accounting periods commencing on or after 1 January 2018)
IAS 27 Separate Financial Statements (amendment) (effective for accounting periods commencing on or after 1 January 2016)
IAS 1 Presentation of Financial Statements (amendment) (effective for accounting periods commencing on or after 1 January 2016)
IFRS 12 Disclosure of Interests in Other Entities (amendment) (effective for accounting periods commencing on or after 1 January 2016)
IFRS 11 Joint Arrangements (amendment) (effective for accounting periods commencing on or after 1 January 2016)
IAS 16 Property, Plant and Equipment (amendment) (effective for accounting periods commencing on or after 1 January 2016)
IFRS 16 Leases (effective for accounting periods commencing on or after 1 January 2019)
Annual Improvements to IFRSs issued 2012-2014 cycle (effective for accounting periods commencing on or after 1 January 2016).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2016

1. Accounting policies continued

v) Change in accounting policy relating to presentation only

The classification of foreign exchange gains and losses has been amended, to move them from Administrative expenses to Finance Income/Expense. These exchange gains and losses relate to the retranslation of intercompany funding and cash balances and are therefore more appropriately classified in Finance Income/Expense. This change further enhances the ability to compare to peer group companies and reduces the variability of administrative expenses allowing a more meaningful comparison to prior periods. The impact on the results for the year ending 31 March 2016 is to reduce administrative expenses by £283,000, increase profit from operations (EBIT) by £283,000 and increase finance costs by £283,000. The impact on results for the year ending 31 March 2015 is to increase administrative expenses by £688,000, reduce profit from operations (EBIT) by £688,000 and increase finance income by £688,000. This had no effect on profit before tax, earnings per share or net assets of the Group. The cash flows for the year ending 31 March 2015 have been restated to exclude unrealised foreign exchange gains and losses. Cash generated from operations and net decrease in cash and cash equivalents have decreased by £688,000 with a corresponding reduction in the effect of exchange rate differences. The 2015 comparatives have been restated to reflect the same basis.

2. Revenue

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

	2016 £000	2015 £000
25-OH Vitamin D	**7,232**	9,887
Other specialty	**10,076**	9,774
Instrument sales	**983**	2,293
Total automated	**18,291**	21,954
Automated revenue comprises:		
Operating lease rental	**4,591**	4,617
Reagent revenue	**13,700**	17,337
25-OH Vitamin D	**2,867**	5,416
Other specialty	**6,933**	8,441
Diametra	**2,876**	1,561
Total manual	**12,676**	15,418
Licensing and Technology	**7,338**	7,990
Total revenue	**38,305**	45,362
Finance income	**169**	846

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

Revenue categories have been revised during year ending 31 March 2016 to reflect the way revenue is monitored in the business. This change allows clearer visibility of the core assay business from that of the strategic licensing and technology business. This has resulted in some revenue previously categorised as Automated, Instrument and Manual being reclassified as Licensing and Technology. Revenue previously disclosed as Other Income is now fully categorised as Licensing and Technology.

Included within Licensing and Technology revenue is royalty income of £5,121,000 (2015: £4,779,000).

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.

Following a significant restructuring of the Group that began in 2013/14 the business was directed and monitored on a functional basis.

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.

No further detailed segmental information is provided in this note, as there is only one operating segment. While the key decision makers review revenue based on the segments shown in Note 2, as a result of the structure of the business and the financial systems in place, operating profit cannot be determined for these revenue segments. Therefore the key decision makers only review the operating profit performance of the business as a whole.

3. Segmental information continued

All earnings, balance sheet and cash flow information received and reviewed by the Board of Directors is prepared at a Group level. The Group determined that it had one operating segment as defined under IFRS 8, being the whole of the Group.

Revenues from customers located in individual countries are as follows:

	2016 £000	2015 £000
UK (country of domicile)	**1,443**	1,801
US	**13,917**	16,256
Germany	**5,809**	6,582
France	**3,743**	5,693
Other	**13,393**	15,030
Total revenues	**38,305**	45,362

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

	2016 £000	2015 £000
UK (country of domicile)	**9,417**	11,182
France	**3,046**	8,835
Belgium	**2,341**	9,783
US	**2,054**	2,773
Germany	**2,106**	2,257
Other	**170**	6,281
Total	**19,134**	41,111

Revenue from one significant OEM customer amounted to £4,676,000 (2015: £4,042,000), arising from royalties payable.

4. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging/(crediting):

	2016 £000	2015 £000
Amortisation of government grants re fixed assets	**–**	(16)
Exceptional items		
Impairment of goodwill	**16,496**	–
Impairment of other intangible assets	**21,504**	–
Impairment of owned plant, property and equipment	**227**	–
Release of repayable grant	**(1,323)**	–
Amortisation of other intangible assets	**4,565**	4,439
Loss on disposal of other intangible assets	**–**	17
Loss on disposal of owned plant, property and equipment	**157**	219
Depreciation of owned plant, property and equipment	**2,307**	2,400
Depreciation of assets held under finance leases	**111**	65
Operating lease costs	**920**	892
Share-based payments	**21**	76
Other staff costs	**16,072**	16,950
Cost of inventories recognised as an expense	**4,916**	4,703
Write downs of inventories recognised as an expense	**1,033**	1,303
Net loss/(gain) on foreign currency translation	**283**	(688)
Auditor's remuneration (see below)	**189**	183

4. Profit from operations continued

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

	2016 £000	2015 £000
Audit services		
– statutory audit of parent and consolidated accounts	**187**	162
Other services relating to taxation		
– compliance services	**2**	21
	189	183

In 2015/16 the Group were notified that repayable grant monies received in relation to the development of certain automated immunoassays, were no longer repayable. This resulted in the release of a £1.3m repayable grants balance.

In 2015/16 the goodwill impairment exercise indicated that the carrying value of the one Group CGU was in excess of the recoverable amount, requiring an impairment to the carrying value of goodwill (£16.5m), intangible assets relating to iSYS machine development and intellectual property rights (£21.5m) and currently unplaced iSYS machines (£0.2m).

In 2015/16 the Group announced its intention to transfer the activities related to automated assay production from the Boldon, UK site to Liege, Belgium. This resulted in a £0.4m charge relating to staff redundancy and for the onerous portion of future lease payments.

In 2014/15 the Group undertook a significant restructuring with a number of senior management changes as well as the relocation of the US sales office. This led to an exceptional restructuring charge of £0.4m being incurred in 2015 (which included a £147,000 credit re reversal of share option charge on employees leaving as part of the restructuring).

In 2014/15 there were £0.6m of exceptional transaction costs incurred including £0.2m in relation to the acquisition of Diametra in September 2014.

5. Particulars of employees

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

	2016 No.	2015 No.
Production staff	**147**	139
Sales & marketing staff	**91**	101
Research & development staff	**50**	49
Administrative staff	**40**	47
	328	336

The aggregate payroll cost of the above were:

	2016 £000	2015 £000
Wages and salaries	**12,989**	13,515
Social security costs	**2,643**	2,759
Other pension costs	**312**	319
Share-based payments	**21**	76
Restructuring costs	**128**	357
	16,093	17,026

For the year ended 31 March 2016, of staff costs, £3,040,000 (2015: £3,228,000) has been included in cost of sales, £6,057,000 (2015: £6,024,000) in sales & marketing costs, £2,351,000 (2015: £2,298,000) in research & development costs £4,517,000, (2015: £5,119,000) in general and administrative expenses, and £128,000 (2015: £357,000) in Exceptional Items – Restructuring costs.

6. Directors' emoluments

	2016 £000	2015 £000
Emoluments receivable	**666**	634
Compensation for loss of office	**–**	40
Value of Company pension contributions to money purchase schemes	**32**	37
	698	711

	2016 No.	2015 No.
Number of Directors accruing benefits under money purchase schemes	**2**	2

Details of individual Director's emoluments are shown in the Directors' remuneration report on page 38.

7. Finance income

	2016 £000	2015 £000
Bank interest receivable	**169**	158
Net foreign exchange gains	**–**	688
	169	846

8. Finance costs

	2016 £000	2015 £000
Interest payable on bank borrowing	**3**	6
Finance charges	**65**	41
Other similar charges payable	**–**	11
Unwinding of discount	**41**	–
Net foreign exchange losses	**283**	–
	392	58

9. Taxation on ordinary activities

a) Analysis of credit in the year

	2016 £000	2015 £000
Current tax:		
UK Corporation tax based on the results for the year at 20% (2015: 21%)	**(171)**	859
Over provision in prior year	**(654)**	(137)
Foreign tax on income	**427**	(449)
Total current tax (credit)/charge	**(398)**	273
Deferred tax:		
Excess of taxation allowances over depreciation on fixed assets	**(5,203)**	(548)
Other	**960**	(35)
Tax losses carried forward	**(171)**	2,039
Deferred tax on share-based payments charge	**9**	22
Over provision in prior year	**(50)**	(50)
Total deferred tax (credit)/charge (Note 27)	**(4,455)**	1,428
Tax (credit)/charge on loss/profit on ordinary activities	**(4,853)**	1,701

"Other" relates to short-term timing differences primarily on the impairment of intangible assets and release of the repayable grant.

In addition, total current and deferred tax of £38,000 has been charged to equity in respect of items credited/charged directly to equity (2015: £16,000 charged to equity).

9. Taxation on ordinary activities continued

b) Factors affecting tax charge

The tax assessed for the period is lower (2015: higher) than the standard rate of corporation tax in the UK, 20% (2015: 21%). The differences are explained below.

	2016 £000	2015 £000
(Loss)/profit on ordinary activities before taxation	**(37,023)**	4,053
(Loss)/profit on ordinary activities by rate of tax in the UK of 20% (2015: 21%)	**(7,405)**	851
Expenses not deductible for tax purposes	**106**	361
Income not taxable	**(294)**	(119)
Additional relief for R&D expenditure	**(399)**	(1,285)
Foreign profits taxable at different rates	**(2,344)**	(51)
Goodwill and intangibles written off	**5,404**	–
UK Patent Box relief	**(328)**	–
Losses carried forward	**1,368**	2,107
Losses brought forward utilised	**(380)**	–
Employee Share award	**9**	–
Effect of change in tax rate on deferred tax balances	**(140)**	(17)
Other temporary differences not recognised	**254**	–
Exchange differences on deferred tax	**–**	41
Tax in respect of prior periods	**(704)**	(187)
Total tax (credit)/charge at an effective rate of 13.1% (2015: 42.0%)	**(4,853)**	1,701

10. Dividends

On 21 August 2015, a dividend of 3.0p (2015: 8.5p) per share was paid to shareholders. In respect of the current year, the Directors propose that a dividend of 1.2p per share will be paid to shareholders on 19 August 2016. 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 2016 is payable to all shareholders on the Register of Members on 22 July 2016. The total estimated dividend is £353,000.

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 2016, the performance criteria for the vesting of certain 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.

	2016 £000	2015 £000
(Loss)/Profit on ordinary activities after tax	**(32,170)**	2,352
Weighted average number of shares:	**No.**	No.
For basic earnings per share	**29,331,842**	29,193,569
Effect of dilutive potential Ordinary shares:		
-Share options	**5,334**	235,365
For diluted earnings per share	**29,337,176**	29,428,934
Basic earnings per share	**(109.7)p**	8.1p
Diluted earnings per share	**(109.7)p**	8.0p

11. Earnings per Ordinary share continued

	2016 £000	2015 £000
(Loss)/profit on ordinary activities after tax as reported	**(32,170)**	2,352
Exceptional items after tax	**33,555**	874
Profit on ordinary activities after tax as adjusted	**1,385**	3,226
Adjusted basic earnings per share	**4.7p**	11.1p
Adjusted diluted earnings per share	**4.7p**	11.0p

12. Financial instruments recognised in the balance sheet

	2016 Loans and receivables £000	2015 Loans and receivables £000
Non-current financial assets		
Financial asset investments	**294**	273
Current financial assets		
Trade and other receivables	**5,436**	5,377
Cash and cash equivalents	**26,554**	23,730
	31,990	29,107
Total	**32,284**	29,380

	2016 Other financial liabilities £000	2015 Other financial liabilities £000
Current financial liabilities		
Trade and other payables	**5,359**	4,819
Bank loans	**–**	281
Obligations under finance leases	**89**	81
	5,448	5,181
Non-current financial liabilities		
Bank loans	**–**	20
Obligations under finance leases	**1,220**	1,218
Repayable grants	**–**	1,357
	1,220	2,595
Total	**6,668**	7,776

The repayable grant of £nil (2015: £1,357,000) related to R&D related grants. The grantor confirmed in year ending 31 March 2016 that the repayable grant monies were no longer repayable.

13. Property, plant and equipment

	Property £000	Fixtures, fittings & equipment £000	IDS-iSYS systems £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2014	2,553	7,215	9,707	9	19,484
Exchange differences	(203)	(503)	(398)	–	(1,104)
Additions on acquisition of subsidiary	1,433	291	–	–	1,724
Additions	169	1,610	1,093	–	2,872
Disposals	(11)	(384)	(816)	(9)	(1,220)
At 31 March 2015	3,941	8,229	9,586	–	21,756
Exchange differences	234	449	597	–	1,280
Additions	53	1,153	571	–	1,777
Disposals	(81)	(123)	(676)	–	(880)
At 31 March 2016	**4,147**	**9,708**	**10,078**	**–**	**23,933**
Depreciation					
At 1 April 2014	1,984	4,593	3,737	9	10,323
Exchange differences	(50)	(267)	(206)	–	(523)
Charge for the year	141	943	1,381	–	2,465
On disposals	(11)	(345)	(408)	(9)	(773)
At 31 March 2015	2,064	4,924	4,504	–	11,492
Exchange differences	108	271	323	–	702
Charge for the year	100	1,037	1,281	–	2,418
Impairment	–	–	227	–	227
On disposals	(37)	(101)	(397)	–	(535)
At 31 March 2016	**2,235**	**6,131**	**5,938**	**–**	**14,304**
Net book value					
At 31 March 2016	**1,912**	**3,577**	**4,140**	**–**	**9,629**
At 31 March 2015	1,877	3,305	5,082	–	10,264
At 1 April 2014	569	2,622	5,970	–	9,161

Property held under finance leases at 31 March 2016 has a carrying value of £1,358,000 (2015: £1,374,000) and is held as security under these leases. There are no other assets held under finance leases.

The impairment charge of £227,000 is a result of the annual impairment review detailed in Note 14 Goodwill. This charge relates to returned iSYS machines no longer on contract in the US.

14. Goodwill

	£000
Cost	
At 1 April 2014	16,983
Arising on acquisition of subsidiary	1,250
Exchange differences	(1,940)
At 31 March 2015	16,293
Exchange differences	1,170
At 31 March 2016	**17,463**
Amortisation	
At 1 April 2014	967
Charge for the year	–
At 31 March 2015	967
Charge for the year	–
Impairment	16,496
At 31 March 2016	**17,463**
Net book value	
At 31 March 2016	**–**
At 31 March 2015	15,326
At 1 April 2014	16,016

Consistent with the year ended 31 March 2015, during the year ended 2016, the business was directed and monitored on a functional basis. The Board monitored the business at a Group level and IDS recognised only one operating segment. As a consequence of this, there were no smaller CGUs which were identifiable and for which goodwill was monitored for internal management purposes. Since goodwill was monitored at a Group level, goodwill was allocated to a single CGU, being the entirety of the Group, and was tested for impairment at this overall Group level.

An impairment arises when the recoverable amount of the CGU is less than the carrying value of the CGU. The recoverable amount is the higher of the fair value less costs to dispose and the value in use.

At 31 January 2016, the Group performed its annual impairment test. At that date, the fair value less costs to dispose was in excess of the value in use, but lower than the carrying value, thus indicating impairment. The fair value less costs to sell was determined using the share price at 31 January of 227.5p per share.

Management continued to monitor indicators of impairment, and due to the reduction in the share price between 31 January 2016 and the balance sheet date, management re-performed this impairment test at the balance sheet date. At that date, the fair value less costs to sell was still in excess of the value in use, but lower than the carrying value. The fair value less costs to sell was determined using the share price at 25 April 2016 (the date of the Trading Update) as management believe that the market price reflected all information known at the balance sheet date. As the valuation of the Group is based on share price, which is quoted in an active market, this is considered to be a level 1 fair value measurement. Using this share price of 167.5p, the fair value less costs to sell was £47.8m. This resulted in an impairment charge of £38.2m allocated first to goodwill and then otherwise as disclosed in Note 4. The impairment charge net of the tax impact is £34,128,000.

As at 17 June 2016, the share price was 132.5p.

Using current forecasts (developed post year end) the value in use was calculated to be c.£45m below the carrying value. The key assumptions were:

- Specific forecasts for 2016/17 – 2020/21 then a terminal value using a growth rate of 2% (2015: 1.8%).
- Long-term EBIT margin of 3% (2015: 15%).
- Discount rate of 11% (2015: 11%).

Goodwill has therefore been fully impaired.

15. Other intangible assets

	Development costs £000	Patents and product technology £000	Brand and customer relationships £000	Intangible assets in the course of construction £000	Total £000
Cost					
At 1 April 2014	24,325	24,968	–	1,116	50,409
Exchange differences	(1,463)	(2,402)	(36)	–	(3,901)
Additions on acquisition of subsidiary	–	803	498	–	1,301
Additions – externally acquired	–	283	–	–	283
Additions – internally generated	2,859	–	–	445	3,304
Disposals	(10)	(76)	–	–	(86)
At 31 March 2015	25,711	23,576	462	1,561	51,310
Exchange differences	907	1,461	–	–	2,368
Additions – externally acquired	–	28	–	–	28
Additions – internally generated	2,889	149	–	322	3,360
At 31 March 2016	**29,507**	**25,214**	**462**	**1,883**	**57,066**
Amortisation					
At 1 April 2014	8,472	9,257	–	–	17,729
Exchange differences	(466)	(895)	(2)	–	(1,363)
Charge for the year	2,604	1,807	28	–	4,439
Disposals	(2)	(67)	–	–	(69)
At 31 March 2015	10,608	10,102	26	–	20,736
Exchange differences	409	609	32	–	1,050
Charge for the year	2,690	1,875	–	–	4,565
Impairment	6,589	12,628	404	1,883	21,504
At 31 March 2015	**20,296**	**25,214**	**462**	**1,883**	**47,855**
Net book value					
At 31 March 2016	**9,211**	**–**	**–**	**–**	**9,211**
At 31 March 2015	15,103	13,474	436	1,561	30,574
At 1 April 2014	15,853	15,711	–	1,116	32,680

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

As noted in Note 14 Goodwill, the annual impairment test has indicated that the recoverable value of the assets of the one CGU are lower than the carrying value. Following the impairment of goodwill of £16.5m, it is necessary to allocate the remainder of the required impairment to all other assets of the CGU on a pro rata basis, with the restriction that specific assets should not be valued at lower than their fair value less costs to sell. Management performed a review of all assets and concluded that the costs relating to the development of automated immunoassays could be accurately valued at an amount in excess of their carrying value, and that it is commonplace for such assets to be marketed for sale. As such, none of the impairment charge should be allocated against these assets.

Assets relating to the development of the iSYS and iSYS2 machines underpin a significant proportion of IDS revenues, and are therefore not considered to be marketable assets. As these cannot be valued separately for sale, it is appropriate to impair these assets fully, resulting in an impairment charge of £6,589,000.

Patent and Product Technology, Brand and Customer Relationship, and ERP assets could not be valued independently for sale due to the integrated nature of the IDS business, and therefore should be impaired in full, resulting in an impairment charge of £14,915,000.

A full analysis of the impairment charge is disclosed in Note 4.

16. Subsidiary undertakings

The subsidiaries of Immunodiagnostic System Holdings PLC are as follows:

	Nature of business	Class of shares held	Ownership 2016	Ownership 2015
Company				
Immunodiagnostic Systems Limited	Manufacture, development and sale of immunoassays and sale of immunoanalysers	Ordinary	**100%**	100%
Immunodiagnostic Systems Nordic A/S	Sale of immunoassays	Ordinary	**100%**	100%
Immunodiagnostic Systems SA	Manufacture, development and sale of immunoassays	Ordinary	**100%**	100%
Immunodiagnostic Systems France SAS	Manufacture, development and sale of immunoassays and manufacture, development and sale of immunoanalysers	Ordinary	**100%**	100%
MGP Diagnostics AS	Dormant	Ordinary	**100%**	100%
Group				
Immunodiagnostic Systems Deutschland GmbH	Sale of immunoassays and immunoanalysers	Ordinary	**100%**	100%
Immunodiagnostic Systems Inc	Sale of immunoassays and immunoanalysers	Ordinary	**100%**	100%
Suomen Bioanalytiikka Oy (SBA Sciences Ltd)	Dormant	Ordinary	**100%**	100%
IDS Brasil Diagnosticos Ltda	Sale of immunoassays and immunoanalysers	Ordinary	**100%**	100%
Dia.Metra S.r.l.	Manufacture, development and sale of immunoassays	Ordinary	**100%**	100%

17. Business combinations

Prior year

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 immunoassays. 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. IDS are currently converting 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	2,879
Fair value of net assets acquired	
Non-current assets	
Property, plant & equipment	1,724
Intangible assets	1,301
Other non-current assets	4
Current assets	
Inventory	327
Receivables and accrued income	884
Cash and cash equivalents	339
	1,550
Current liabilities	
Short-term borrowings	(452)
Trade and other payables	(377)
Taxation	(61)
Accruals	(89)
	(979)
Non-current liabilities	
Long-term borrowings	(1,403)
Deferred taxation on intangibles	(408)
Provisions	(160)
	(1,971)
Net Assets	1,629
Goodwill	1,250

17. Business combinations continued

Prior year continued

The sale and purchase agreement allowed for a net assets adjustment on finalisation of the completion balance sheet. Additional consideration of €140,000 was paid subsequent to completion.

€500,000 was paid into Escrow as at the completion date. €150,000 was released on the first anniversary of completion. The remaining €350,000 will be released on the second anniversary, unless reduced by any warranty or other claim under the terms of the agreement.

Goodwill recognised includes the workforce and expected synergies from combining operations of IDS and Diametra, in particular in manufacturing and research and development.

At the acquisition date, there were no receivables not expected to be collected. The sale and purchase agreement contains a claim provision for any amounts not collected within one year.

The transaction costs associated with the acquisition amounted to £0.2m and are included within exceptional costs in year ending 31 March 2015.

18. Investments

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 2016 (and at 31 March 2015).

19. Other non-current assets

Other loans and receivables	2016 £000	2015 £000
At 1 April	**273**	314
Additions on acquisition of subsidiary	**–**	4
Additions	**3**	18
Repaid	**(1)**	(41)
Exchange differences	**19**	(22)
At 1 April and 31 March	**294**	273

20. Inventories

	2016 £000	2015 £000
Raw materials	**2,723**	2,633
Work in progress	**1,324**	1,374
Finished goods	**3,462**	2,798
	7,509	6,805

Inventories are stated after charging net provisions of £1,234,000 (2015: £1,313,000) for impairment of inventories held by subsidiary undertakings.

Included within inventories are spare parts of £1,098,000 (2015: £1,285,000) net of provisions.

21. Other financial assets

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

Trade and other receivables are as follows:

	2016 £000	2015 £000
Trade receivables	**5,277**	5,440
VAT recoverable	**162**	234
Other receivables	**292**	69
Prepayments and accrued income	**1,358**	1,803
	7,089	7,546
Allowance accounts for trade receivables	**(133)**	(132)
	6,956	7,414

The average credit period taken on sale of goods is 47 days (2015: 37 days). An allowance has been made for estimated irrecoverable amounts from sale of goods of £133,000 (2015: £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 which can be classified as overdue, other than those for which an allowance has been made.

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

The movements on the allowance account were as follows:

	2016 £000	2015 £000
Balance at 1 April	**132**	243
Movement in allowance for trade receivables	**33**	(11)
Amounts received previously provided		
Trade receivables	**(32)**	(93)
Amounts written off other receivables previously provided	**–**	(7)
Allowance for trade receivables	**133**	132
Balance at 31 March	**133**	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.

	2016 £000	2015 £000
Up to three months	**940**	887
Over three months	**246**	197
	1,186	1,084

An analysis of receivables by currency is as follows:

	2016 £000	2015 £000
Sterling	**1,604**	2,170
Euros	**4,011**	3,428
US Dollars	**1,201**	1,665
Danish Kroner	**101**	101
Other	**39**	50
	6,956	7,414

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

Cash and cash equivalents of £26,554,000 (2015: £23,730,000) comprise cash and short-term deposits controlled by the Group treasury function. The carrying amount of these assets approximates to their fair value.

22. Borrowings

31 March 2015	2016 Current £000	2016 Non-current £000	2015 Current £000	2015 Non-current £000
Bank loans	–	–	281	20
Obligations under finance lease	89	1,220	81	1,218
	89	1,220	362	1,238

23. Bank loans

The bank loans were denominated in Euros.

Bank loans were acquired on the acquisition of Dia.Metra S.r.l. in September 2014 and were repaid In September 2015. Short-term bank loans were at a floating rate and long-term loans were at a fixed rate.

24. Obligations under finance lease arrangements

Amounts payable under finance leases assumed on acquisition of Dia.Metra S.r.l in September 2014 are as follows:

	2016 £000	2015 £000
Within one year	89	81
In the second to fifth year inclusive	295	285
After more than five years	925	933
	1,309	1,299

All contracts are at fixed rates, are on a fixed repayment basis and are denominated in Euros. The average interest rate is approximately 5%.

Amounts due under finance leases are secured over the assets financed.

The Directors estimate that the fair value of the Group's obligations under finance lease arrangements is not significantly different to the carrying value.

25. Other financial liabilities

Trade and other payables are as follows:

	2016 £000	2015 £000
Trade payables	1,458	2,076
Other taxation and social security	928	813
Other payables	331	57
Accruals	3,570	2,686
	6,287	5,632

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2015: 30 days).

An analysis of payables by currency is as follows:

	2016 £000	2015 £000
Sterling	1,525	1,508
Euros	3,654	3,404
US Dollars	709	710
Brazilian Real	335	–
Danish Kroner	64	10
	6,287	5,632

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

26. Retirement benefits

The Company and its trading subsidiary undertakings operate defined contribution schemes. The assets of the schemes are held separately from those of the companies in independently administered funds. The pension cost charge represents contributions payable by the companies to the funds and amounted to £312,000 (2015: £319,000). 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 12–14% 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 2016 is £428,000 (2015: £461,000).

27. Deferred taxation

	2016 £000	2015 £000
The movement in the deferred taxation provision during the year was:		
Provision brought forward	**5,654**	3,980
Exchange differences	**288**	(140)
Income statement movement arising during the year	**(4,455)**	1,428
	1,487	5,268
SOCIE movement during the year	**38**	49
Deferred tax on acquisition	**–**	337
Provision carried forward	**1,525**	5,654

The provision is split as follows in the balance sheet:

	2016 £000	2015 £000
Deferred tax assets	**(26)**	(115)
Deferred tax liabilities	**1,551**	5,769
	1,525	5,654
The elements of deferred taxation are as follows:		
Excess of taxation allowances over depreciation on fixed assets	**2,213**	7,096
Other temporary differences	**(227)**	(1,188)
Tax losses carried forward	**(461)**	(254)
	1,525	5,654

Deferred tax assets have not been recognised in respect of certain tax losses and temporary differences as there is insufficient evidence of recoverability in the near future. The Group has tax losses which arose in various countries of £16,635,000 (2015: £11,359,000) that are available indefinitely and other temporary differences of £5,534,000 (2015: £nil) against future taxable profits of the companies in which the losses arose for which no deferred tax had been provided.

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised is £65,590,000 (2015: £63,138,000).

28. Provisions

	Retirement/ leavers provision £000	Warranty provision £000	Dilapidation provision £000	Onerous lease provision £000	Total £000
At 1 April 2014	350	292	500	–	1,142
Acquired in subsidiary	160	–	–	–	160
Foreign exchange gain	(40)	(34)	–	–	(74)
Reassessment in period	165	(176)	–	–	(11)
At 31 March 2015	635	82	500	–	1,217
Foreign exchange gain	47	4	–	–	51
Arising during the year	–	–	–	234	234
Unwinding of discount	–	–	41	–	41
Reassessment in period	(38)	(32)	–	–	(70)
At 31 March 2016	**644**	**54**	**541**	**234**	**1,473**
At 31 March 2016					
Included in current liabilities	–	54	–	–	54
Included in non-current liabilities	644	–	541	234	1,419
	644	54	541	234	1,473
At 31 March 2015					
Included in current liabilities	–	82	–	–	82
Included in non-current liabilities	635	–	500	–	1,135
	635	82	500	–	1,217

The retirement provision is described in Note 26. Additionally, when employees leave Dia.Metra S.r.l., an Italian subsidiary acquired in the year ending 31 March 2015, by law the Company is required to pay to that employee an amount equal to one month's salary for each year they have worked at the Company. A provision for this obligation is recognised in the balance sheet.

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 and at its earliest will be required to be settled in July 2020, at the first break point in a new 15-year lease signed during the year. The discounted expected future cash flows to restore the buildings amounted to £541,000 at the balance sheet date.

The onerous lease provision relates to the unused proportion of the leased buildings in Boldon following the decision taken in the year ending 31 March 2016 to move automated immunoassay related activities to the Liege site. The discounted expected future lease payments to be paid up to July 2020 amounted to £234,000 at the balance sheet date.

29. Deferred income

Government grants

	2016 £000	2015 £000
At 1 April	**41**	62
Amortisation	**(15)**	(16)
Exchange differences	**2**	(5)
At 31 March	**28**	41

Licence income

	2016 £000	2015 £000
At 1 April	**106**	43
Received in the year	**127**	147
Released to income statement	**(146)**	(78)
Exchange differences	**4**	(6)
At 31 March	**91**	106
Total	**119**	147

30. Commitments under operating leases

At 31 March 2016 the Group had commitments under non-cancellable operating leases as set out below:

	2016		2015	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Amounts payable:				
Within 1 year	**483**	**196**	345	261
Within 2 to 5 years	**2,917**	**138**	1,132	212
	3,400	**334**	1,477	473

31. 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 18, equity accounting is not used for the associates as they are not considered to be material to the Group as a whole.

Royalties of £33,000 (2015: £43,000) were paid to Mr A Rousseau, during the year. As previously reported, Mr A Rousseau also received €nil (2015: €300,000) 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 £142,000 (2015: £188,000) were paid to Arteion SAS, a company of which Mr A 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 £12,500 (2015: £nil) to Magellan bioConsult UG for the Director's fees of Dr Kaspar. Dr Kaspar is a director and shareholder of Magellan bioConsult UG.

The Company also recognised £109,800 (2015: £38,283) to Forum European Smallcaps GmbH ('FES'), a shareholder, for the Director's fees of Dr Wittek (£79,800; 2015: £27,823), who is also a Director of FES and for the Director's fees of Mr Campe (£30,000; 2015: £10,460), who is an associate at Forum Group. 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 £66,000 (2015: £74,000) and the income statement charge in respect of share-based payments to Directors was £nil (2015: credit £94,000).

During the year no Directors exercised share options.

32. Share capital

During the year, 200,000 shares were issued upon exercise of share options.

The total premium received on the issue of shares during the year was £406,000 (2015: £48,000); no expenses were incurred in relation to the issue of the shares.

	2016 £000	2015 £000
Equity shares		
Authorised:		
75,000,000 (2015: 75,000,000) Ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2016 £000	2015 £000
Allotted, called up and fully paid:		
Ordinary shares of £0.02 each		
29,215,175 (2015: 29,161,915) in issue at 1 April	**584**	583
Issued on the exercise of share options	**4**	1
29,415,175 (2015: 29,215,175) in issue at 31 March	**588**	584

33. Share premium

	2016 £000	2015 £000
Balance brought forward	**31,857**	31,809
Premium on shares issued during the year	**406**	48
At 31 March	**32,263**	31,857

34. Other reserves

	2016 £000	2015 £000
Merger reserve	**583**	583
Currency translation reserve		
Balance brought forward	**(1,864)**	4,041
Foreign exchange translation differences on foreign currency net investment in subsidiaries	**3,741**	(5,905)
Tax effect of treatment of foreign currency translation differences	**–**	–
At 31 March	**1,877**	(1,864)
	2,460	(1,281)

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.

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

	2016 £000	2015 £000
Profit before tax	**(37,023)**	4,053
Adjustments for:		
Depreciation of property, plant and equipment	**2,418**	2,465
Amortisation of intangible assets	**4,565**	4,439
Impairment of goodwill	**16,496**	–
Impairment of intangible assets	**21,504**	–
Impairment of property, plant and equipment	**227**	–
Loss on disposal of property, plant and equipment	**157**	219
Loss on disposal of intangibles	**–**	17
Share-based payment charge	**21**	76
Release of repayable grant	**(1,323)**	–
Finance income	**(169)**	(846)
Finance costs	**392**	58
Other exceptional items	**362**	983
Operating cash flows before movements in working capital	**7,627**	11,464
Increase in inventories	**(350)**	(413)
Decrease in receivables	**724**	514
Increase/(decrease) in payables and provisions and deferred income	**100**	(1,456)
Cash generated by operations	**8,101**	10,109

36. Capital commitments

Amounts contracted for but not provided in the financial statements £11,000 (2015: £nil).

37. Share-based payments

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

	Month of grant	Exercise price	Period within which options are exercisable		Number of shares for which rights are exercisable	
			From	To	2015	**2016**
Unapproved scheme	Mar 08	189.5p	25.03.11	25.03.18	133,446	**–**
	Jun 09	236.5p	22.06.12	22.06.19	113,108	**46,554**
	Nov 12	305.3p	30.11.15	30.11.22	70,750	**70,750**
	Apr 13	279.0p	03.04.16	03.04.23	2,509	**2,509**
	Oct 13	460.1p	14.10.16	14.10.23	6,960	**6,960**
Total					326,773	**126,773**

The market price of the shares at 31 March 2016 was 225.0p and the range during the year was 215.0p to 320.0p.

Options may normally be exercised in whole or part within the period of three to 10 years after the date of the grant, and then only if the performance conditions attached to the options have been satisfied.

Unapproved Share Option Scheme

There are currently no share options held by Directors of the Company under the Unapproved Share Option Scheme, as disclosed in the Directors' remuneration report on page 38.

Performance conditions in relation to the Unapproved Share Option Scheme are set out in the Directors' remuneration report on page 38.

Share-based payments

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

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
At 1 April	**326,773**	**237.6p**	612,814	249.7p
Forfeited during the year	**–**	**–**	232,781	303p
Exercised during the year	**200,000**	**205.1p**	53,260	91.4p
Outstanding at 31 March	**126,773**	**288.0p**	326,773	237.6p
Exercisable at 31 March	**117,304**	**278.0p**	246,554	211.6p

The weighted average share price at the date of exercise of the options was 305.0p (2015: 427.7p).

No options were granted during the current or prior year.

The options outstanding at 31 March 2016 had exercise prices between 236.5p and 460.1p (2015: between 189.5p and 460.1p) and a weighted average remaining contractual life of 4.6 years (2015: 5.4 years).

During 2015/16 the Group recognised total share-based payment expenses of £21,000 (2015: income of £71,000) all of which related to equity-settled share-based payment transactions.

The share-based payment expense recognised in respect of Directors is £nil.

38. Financial risk management

The Group's financial instruments comprise cash and short-term deposits. The Group has various other financial instruments, such as trade receivables and payables that arise directly from its operations, which have been excluded from the disclosures, other than the currency disclosures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

Interest rate risk

The Group has no financial assets, excluding short-term receivables, other than Sterling cash deposits of £22,006,000 (2015: £19,489,000), Euro cash deposits of £2,783,000 (2015: £2,591,000), US Dollar cash deposits of £1,531,000 (2015: £1,470,000), Danish Kroner cash deposits of £202,000 (2015: £144,000), Brazilian Real cash deposits of £13,000 (2015: £22,000) and other currencies of £19,000 (2015: £14,000) 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 was cash positive in its operations for the year ended 31 March 2016. The Group expects to generate operating cash outflows in the short term until revenues return to growth. The Group has sufficient cash reserves to cover the expected cash outflows. The Group maintains a balance between short-term deposits and cash to enable its ongoing requirements to be met. The Group's requirements are reviewed regularly by the Board, which will consider carefully liquidity risk for any future acquisitions.

Foreign currency risk

The Group has subsidiary undertakings, which operate in the 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 Group. At 31 March 2016 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**	**Other £000**	**Total £000**
Sterling	**–**	**2,370**	**2,428**	**367**	**48**	**5,213**
	–	**2,370**	**2,428**	**367**	**48**	**5,213**

The exposures at 31 March 2015 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	Other £000	Total £000
Sterling	(23)	853	2,359	124	39	3,352
	(23)	853	2,359	124	39	3,352

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

	Changes in Sterling vs other currency rates	Effect on profit before tax	Effect on equity
2016			
US Dollar/Sterling	**+ 5%**	**587**	**229**
	- 5%	**(587)**	**(229)**
Euro/Sterling	**+ 5%**	**(652)**	**927**
	- 5%	**652**	**(927)**
DKK/Sterling	**+ 5%**	**(138)**	**676**
	- 5%	**138**	**(676)**
2015			
US Dollar/Sterling	+ 5%	647	286
	- 5%	(647)	(286)
Euro/Sterling	+ 5%	30	1,396
	- 5%	(30)	(1,396)
DKK/Sterling	+ 5%	9	731
	- 5%	(9)	(731)

38. Financial risk management continued

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

	2016 £000	2015 £000
In one year or less	**5,513**	5,444
In more than one year but not more than five years	**516**	1,600
In more than five years	**1,209**	2,143
	7,238	9,187

Fair values

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

39. Contingent liabilities

The Group undertakes Research and Development activities often in collaboration with third parties who provide their expertise and from time to time their intellectual property in the form of know-how or patents. To facilitate this collaboration, IDS may enter into risk and reward contracts 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 2016 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.

40. Post balance sheet events

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

COMPANY BALANCE SHEET

Company Registration No. 05146193

31 March 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Property, plant and equipment	2	**192**	142
Intangible assets	3	**–**	1,641
Investments	4	**47,792**	49,188
		47,984	50,971
Current assets			
Debtors due within one year	5	**23,036**	16,570
Cash at bank and in hand		**24,085**	21,402
		47,121	37,972
Creditors			
Amounts falling due within one year	6	**61,666**	51,217
Net current liabilities		**(14,545)**	(13,245)
Total assets less current liabilities		**33,439**	37,726
		33,439	37,726
Capital and reserves			
Called up share capital	9	**588**	584
Share premium account	10	**32,263**	31,857
Profit and loss account		**588**	5,285
Shareholders' funds		**33,439**	37,726

The financial statements on pages 74 to 83 were approved by the Board of Directors and authorised for issue on 21 June 2016 and are signed on its behalf by:

Mr P Lacalle
Chief Executive Officer

Mr P J Martin
Group Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share capital £000	Share premium £000	Retained earnings[1] £000	Total £000
At 1 April 2014	583	31,809	8,661	41,053
Loss for the year	–	–	(830)	(830)
Total comprehensive expense	**–**	**–**	**(830)**	**(830)**
Transactions with owners				
Share-based payments	–	–	(71)	(71)
Tax benefit on exercise of share options	–	–	4	4
Dividends paid	–	–	(2,479)	(2,479)
Shares issued in the year	1	48	–	49
At 31 March 2015	**584**	**31,857**	**5,285**	**37,726**
At 1 April 2015	**584**	**31,857**	**5,285**	**37,726**
Loss for the year	**–**	**–**	**(3,838)**	**(3,838)**
Total comprehensive expense	**–**	**–**	**(3,838)**	**(3,838)**
Transactions with owners				
Share-based payments	**–**	**–**	**21**	**21**
Tax benefit on exercise of share options	**–**	**–**	**(4)**	**(4)**
Dividends paid	**–**	**–**	**(876)**	**(876)**
Shares issued in the year	**4**	**406**	**–**	**410**
At 31 March 2016	**588**	**32,263**	**588**	**33,439**

1 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 this presentation is consistent with that in the Consolidated Statement of Changes in Equity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2016

1. Accounting policies

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Taxation

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be fully determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The Company reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

Authorisation of financial statements and statement of compliance with FRS 101

The parent company financial statements of Immunodiagnostic System Holdings PLC for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 21 June 2016 and the balance sheet was signed on its behalf by Mr P Lacalle and Mr P J Martin. Immunodiagnostic System Holdings Plc is a public limited company incorporated, domiciled and has its registered office in the UK. The Company's Ordinary shares are publicly traded on AIM and it is not under the control of any single shareholder.

The principal accounting policies are set out in Note 1.

Basis of accounting

The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and in accordance with applicable accounting standards.

No profit or loss is presented by the Company as permitted by Section 408 of the Companies Act.

The presentation currency used is Sterling and amounts have been presented in round thousands (£000).

These company financial statements are the first presented using Financial Reporting Standard 101 Reduced Disclosure Framework. Immunodiagnostic Systems Holdings PLC transitioned to FRS 101 from the previously applicable UK GAAP as at 1 April 2014. Upon transition an additional deferred tax asset of £91,000 relating to share options outstanding was recognised.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016.

In these financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- The requirements of paragraph 45(b) and 46-52 of IFRS 2. The disclosures required by these paragraphs can be found in Note 37 to the Group financial statements;
- The requirements of IFRS 7 Financial Instruments: Disclosures as they are available within the consolidated financial statements of Immunodiagnostic Systems Holdings PLC;
- The requirements in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

  a) Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  b) Paragraph 118(e) of IAS 38 Intangible Assets; and
  c) Paragraph 79 a) iv) of IAS 1.

- The requirements of paragraphs 10(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirement of paragraph 17 of IAS 24 Related Party Transactions;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is a wholly owned by such a member;
- The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6-21 to present an opening statement of financial position at transition; and
- The requirements of paragraphs 130(f)(ii)-(iii), 134(d)-134(f) and 135(c) to (e) of IAS 36 Impairment of Assets.

1. Accounting policies continued

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.

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 patent registration or licence agreement.

Investments

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

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.

Deferred taxation

Deferred tax is recognised in respect of all temporary 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. Temporary 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 temporary 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.

1. Accounting policies continued

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.

Share-based payments

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.

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.

2. Property, plant and equipment

	Fixtures, fittings & equipment £000	IDS-iSYS systems £000	Total £000
Cost			
At 1 April 2015	158	38	196
Additions	121	–	121
At 31 March 2016	**279**	**38**	**317**
Depreciation			
At 1 April 2015	49	5	54
Charge for the year	65	6	71
At 31 March 2016	**114**	**11**	**125**
Net book value			
At 31 March 2016	**165**	**27**	**192**
At 1 April 2015	109	33	142

3. Intangible assets

	Licenses and product technology £000	Assets under construction £000	Total £000
Cost			
At 1 April 2015	144	1,561	1,705
Additions	–	322	322
At 31 March 2016	**144**	**1,883**	**2,027**
Amortisation			
At 1 April 2015	64	–	64
Charge for the year	3	110	113
Impairment	77	1,773	1,850
At 31 March 2016	**144**	**1,883**	**2,027**
Net book value			
At 31 March 2016	**–**	**–**	**–**
At 1 April 2015	80	1,561	1,641

The annual goodwill impairment test carried out at 31 January 2016 and again at 31 March 2016 indicates the need for impairment of the licenses and product technology and the development spend incurred on the new ERP system. This is disclosed in Note 14 of the Group accounts.

4. Investments

	Investment in subsidiary undertakings £000
Cost	
1 April 2015 and 31 March 2016	**49,188**
Impairment	
At 1 April 2015	–
Impairment	1,396
At 31 March 2016	**1,396**
Net book value	
31 March 2016	**47,792**
1 April 2015	49,188

The Company owns 100% of the issued ordinary share capital and voting rights of Immunodiagnostic Systems Limited, an unlisted company incorporated in England. The results of the subsidiary and its subsidiary undertakings have been consolidated within the Group accounts. Their principal activity during the year was that of 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.

4. Investments continued

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.

An impairment charge of £1,396,000 was booked in year ending 31 March 2016 due to the recoverable value of the one cash generating unit being lower than the carrying value of the investments. Details of this calculation are provided in Note 14 to the Group financial statements.

5. Debtors

	2016 £000	2015 £000
Amounts owed by Group undertakings	**22,735**	16,437
Prepayments and accrued income	**169**	126
Income tax asset	**132**	–
Deferred tax asset (see Note 7)	**–**	7
	23,036	16,570

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

	2016 £000	2015 £000
Trade creditors	**191**	55
Amounts due to Group undertakings	**60,995**	50,698
Accruals and deferred income	**480**	464
	61,666	51,217

7. Deferred taxation

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

	2016 £000	2015 £000
The movement in deferred tax during the year was:		
Asset brought forward	**7**	119
Profit and loss account movement arising during the year	**(7)**	(112)
Total deferred tax	**–**	(112)
Asset carried forward	**–**	7

8. Dividends

On 21 August 2015, a dividend of 3.0p (2015: 8.5p) per share was paid to shareholders. In respect of the current year, the Directors propose that a dividend of 1.2p per share will be paid to shareholders on 19 August 2016. 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 2016 is payable to all shareholders on the Register of Members on 22 July 2016. The total estimated dividend is £353,000.

9. Share capital

	2016 £000	2015 £000
Equity shares		
Authorised:		
75,000,000 Ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2016 £000	2015 £000
Allotted, called up and fully paid:		
29,415,175 (2015: 29,215,175) Ordinary shares of £0.02 each	**588**	584
	588	584

During the year the Company issued a total of 200,000 Ordinary shares of 2p each, which were issued between 189.5p and 236.5p on the exercise of share options. The total premium received on the issue of shares during the year was £406,000 (2015: £48,000).

10. Share premium

	2016 £000	2015 £000
Balance brought forward	**31,857**	31,809
Premium on shares issued during the year	**406**	48
At 31 March	**32,263**	31,857

11. Share-based payments

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

12. Transition to FRS 101

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 March 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 April 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 March 2015.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 'First time adoption of International Financial Reporting Standards', except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for March 2016 year ends retrospectively. The Company has taken advantage of the following exemptions:

- IFRS 2 Share-based payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This is treatment is consistent with the transitional provisions taken when the Company adopted FRS 20, the UK equivalent standard.
- Cumulative actuarial gains and losses on pensions and other post-employment benefits are recognised in full in equity on the date of transition to IFRS. This is the same treatment as under UK GAAP.

	Notes	UK GAAP £000	FRS 101 Reclassification/ remeasurements £000	FRS 101 £000
Reconciliation of equity as at 1 April 2014				
Fixed assets				
Property, plant and equipment		87	–	87
Intangible assets		1,227	–	1,227
Investments		49,188	–	49,188
		50,502	–	50,502
Current assets				
Debtors due within one year	5	10,004	91	10,095
Cash at bank and in hand		23,994	–	23,994
		33,998	91	34,089
Creditors				
Amounts falling due within one year		43,538	–	43,538
Net current liabilities		(9,540)	91	(9,449)
Total assets less current liabilities		40,962	91	41,053
		40,962	91	41,053
Capital and reserves				
Called up share capital		583	–	583
Share premium account		31,809	–	31,809
Profit and loss account		8,570	91	8,661
Shareholders funds		40,962	91	41,053

12. Transition to FRS 101 continued

	Notes	UK GAAP £000	FRS 101 Reclassification/ remeasurements £000	FRS 101 £000
Reconciliation of equity as at 1 April 2015				
Fixed assets				
Property, plant and equipment		142	–	142
Intangible assets		1,641	–	1,641
Investments		49,188	–	49,188
		50,971	–	50,971
Current assets				
Debtors due within one year	5	16,566	4	16,570
Cash at bank and in hand		21,402	–	21,402
		37,968	4	37,972
Creditors				
Amounts falling due within one year		51,217	–	51,217
Net current liabilities		(13,249)	4	(13,245)
Total assets less current liabilities		37,722	4	37,726
		37,722	4	37,726
Capital and reserves				
Called up share capital		584	–	584
Share premium account		31,857	–	31,857
Profit and loss account		5,281	4	5,285
Shareholders funds		37,722	4	37,726

Upon transition, an additional deferred tax asset of £4,000 (2014: £91,000) was recognised relating to share options outstanding.

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.

25-OH 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.

17-hydroxyprogesterone
17-hydroxyprogesterone (17-OHP) is a steroid hormone involved in the female menstrual cycle, pregnancy (supporting gestation) and embryogenesis of humans. Measurement of circulating 17-OHP levels is a standard tool for clinical assessment of 21-hydroxylase deficiency, the most common cause of congenital adrenal hyperplasia (CAH). It is also used as an aid in the diagnosis of CAH in older children and adults who may have a milder, "late onset" form referred to as non-classical adrenal hyperplasia.

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 tumour 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.

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.

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 synthesised, 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.

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, undernutrition, 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.

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.

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