25 November 2016

Immunodiagnostic Systems Holdings PLC
Interim Results for the six month period ended 30 September 2016

Immunodiagnostic Systems Holdings plc ("IDS", "the Group" or "the Company"), a specialist producer of manual and automated diagnostic testing kits and instruments for the clinical market, today announces its unaudited interim results for the six month period ended 30 September 2016 ("H1 2017").

Financial Summary

- Revenue was £19.5m in H1 2017 (H1 2016: £19.4m), an increase of 1%. On a like for like basis (i.e. eliminating changes in scope and at constant exchange rates* ("CER")) this represents a revenue decrease of 9%.
- Revenues in our Automated CLIA business were £9.9m (H1 2016: £9.2m), an increase of 8%. At CER this represents a decline of 2%.
  - At CER automated 25-OH Vitamin D revenues declined by 25%, similar to the rate of decline experienced on H1 2016. This was in line with our expectations and is mainly due to our main laboratory customers transferring this assay to workhorse analysers.
  - This decline was offset by growth of 16% at CER in our speciality assay business, i.e. CLIA products excluding 25-OH Vitamin D. This growth rate is higher than we had forecasted and is significantly ahead of the 3% growth seen in these products during FY2016.
- Revenues in our Manual business were £6.2m, a decline of 2%. At CER this represents a revenue decrease of 11%. This can be broken down into a decrease of 40% in manual 25-OH Vitamin D revenue, while the remainder of the business remained stable.
- Revenues in our Licensing and Technology business were £2.0m, a decline of 28%. At CER this represents a revenue decrease of 35%. The reduction is due to the expected loss of royalty business from a major customer.
- Adjusted EBITDA was broadly flat at £4.2m (H1 2016: £4.3m), before exceptional costs of £1.3m (H1 2016: £nil).
- PBT was £0.5m (H1 2016: £0.8m).
- Basic EPS increased to 5.0p (H1 2016: 4.0p).
- Net cash flow from operations was £3.7m (H1 2016: £3.1m).
- Closing cash and cash equivalents increased to £28.7m (31 March 2016: £26.6m).

*CER has been calculated by applying the prior period foreign exchange rates to the current period results.

Operational Summary

- 17-OH Progesterone automated assay released, followed by our Total Testosterone assay in mid-October. These are the first products in our IDS-iSYS fertility panel.
- Total assay menu increased to 17 assays (March 16: 15) in Europe and 10 (March 16: 9) in the USA.
- Improvement in instrument placement performance versus the same period in the prior year. Total gross instrument placements in direct sales territories increased to 15 (H1 2016: 9). Net direct placements were 5 versus 10 net direct returns in H1 2016.
- Completion of the restructuring of the IDS operations in France leading to a reduction in headcount of over 20 employees. Transfer of automated assay manufacturing to Liege on track for completion by year end.
- Other cost efficiency initiatives are running according to plan, and we are targeting a full year cost saving of £3.5m (at CER) versus FY2016.

Patricio Lacalle, CEO of IDS, commented:

"As expected we have continued to suffer significant declines in our 25-OH Vitamin D assay sales as well as our royalty income. This was offset by encouraging growth in our Speciality automated business and the favourable foreign exchange impact of the weaker Pound. We are continuing to implement the four pillars of our strategy as previously communicated and have embedded these within each of our three business units. The development of our assay pipeline is taking longer than expected, though we are pleased to have introduced two new fertility assays since the end of FY2016. We will continue to focus our efforts on improving our sales processes and capabilities, as well as strengthening our product pipeline through internal development and external partnerships."

For further information:

Immunodiagnostic Systems Holdings PLC **Tel : +44 (0)191 519 0660**
Patricio Lacalle, CEO
Paul Martin, Finance Director

Peel Hunt LLP **Tel : +44 (0)20 7418 8900**
James Steel /Oliver Jackson

The information contained within this announcement may constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014.

Chief Executive's Statement

On a like for like basis (i.e. at constant scope and CER) revenue declined by 9% in H1 2017.

Sales of our 25-OH Vitamin D product, across both our manual and automated businesses, declined by 30% at CER. Additionally, as previously anticipated, royalty income has declined by 35% at CER. This is as a result of a major customer transitioning their 25-OH Vitamin D assay away from IDS technology.

On a more positive note, sales in our other speciality automated assays grew by 16% at CER, which is an acceleration compared to the growth rate of 3% achieved in FY 2016.

An overview of the performance of our three business units is set out below:

Automated Business

1. Revenue Performance

	H1 2017 £000	H1 2016 £000	FY 2016 £000	Change %	Change % at CER
25-OH Vitamin D	3,239	3,898	7,232	(17%)	(25%)
Other Speciality	6,231	4,841	10,076	29%	16%
Instrument Sales	441	418	983	5%	(5%)
Total	**9,911**	**9,157**	**18,291**	**8%**	**(2%)**

At CER, automated 25-OH Vitamin D revenue declined 25% compared to H1 2016. This is similar to the rate of decline experienced in FY 2016, and was in line with our revenue plan. This decrease is mainly a result of our main laboratory customers continuing to transfer this assay to workhorse analysers after termination of their contractual obligations with the Group.

At CER Other Speciality income (which relates mainly to our Endocrinology Excellence menu) increased by 16% at CER. Whilst most segments showed double digit growth, the areas which contributed most were Calcium Metabolism, Bone Metabolism and Growth.

Instrument sales, which include sales of spare parts and services, remained consistent compared with the same period last year.

2. Placements / iSYS Sales

	H1 2017	H1 2016	FY 2016
Direct - Gross Placements	**15**	**9**	**31**
Direct – Gross Returns	**(10)**	**(19)**	**(43)**
Direct - Net Placements / (Returns)	**5**	**(10)**	**(12)**

Distributor Sales	**2**	**3**	**8**

Direct instruments are those sold or placed with reagent rental IDS end-user customers in the Group's core markets of the USA and Europe (excluding distributor territories of Spain and Italy).

Gross instrument placements improved mainly due to improved sales performance in the USA and France. These regions generated a combined 4 net placements in H1 2017, compared to 13 net returns in H1 2016.

Average revenue per direct instrument ("ARPI") was £52,000 per annum (calculated on a rolling 12-month basis) (H1 2016: £50,000, FY 2016: £48,000), the increase being mainly due to the impact of the weaker Pound which leads to USD and Euro denominated iSYS revenue being worth more when converted into Pounds Sterling.

3. Sales Process

The CRM system, which was introduced during H1 FY2016, is now fully embedded in all our major sales regions. We are focusing on 3 areas: target qualification, opportunity management and call preparation. Over the last 15 months each sales person has qualified a large number of targets in their respective sales territory. The resulting opportunities are being followed up together with the field sales manager. We have further focused on increasing the quality of calls by improving our planning cycle. As a result we reduced travel time, increased customer facing time and provided a more focused approach, driving customer benefits.

The system is now providing the key data to drive a quantitative, performance based measurement of the sales team achievements. It is also allowing us to generate deeper insight into our customer requirements, thereby allowing us to more accurately target customers who have a requirement for IDS's niche speciality assay offering.

In addition to the detailed insight of our customers' operations, we can much better focus on supporting sales representative performance. We are confident that in the end the benefits and the dynamics we gain in turning opportunities into results will speak for itself.

4. **Assay Development**

In H1 2017 we released one new automated assay, 17-OH Progesterone, followed by our Total Testosterone assay in mid-October. These are the first products in our IDS-iSYS fertility panel. This brings the total assay menu to 17 assays in Europe and 10 in the USA.

We are seeing an improvement in the speed in which we are able to launch assays. We are optimistic we will launch another one to two assays this financial year – in recent history we have not launched more than two in a full financial year. However we are still a long way short of our target of releasing six to eight assays per year. The consolidation of the majority of our automated assay development and production into Liege, as announced in January 2016, will be completed as scheduled by December 2016.

During the period we created the new role of Operations Director, which has been filled by internal appointment. This will allow our Technical Director, who previously also held responsibility for operations, to focus on assay development. Additionally we have recruited a second assay R&D manager, to be based in our Liege facility. We believe these personnel changes will enhance our development capacity and capabilities.

Manual Business

	H1 2017 £000	H1 2016 £000	FY 2016 £000	Change %	Change % at CER
25-OH Vitamin D	1,130	1,698	2,867	(33%)	(40%)
Other Speciality	3,569	3,243	6,933	10%	2%
Diametra	1,533	1,417	2,876	8%	(6%)
Total	6,232	6,358	12,676	(2%)	(11%)

1. **Revenue Performance**

At CER, manual 25-OH Vitamin D declined by 40%, which was in line with our expectations. This decline is mainly due to customers continuing to migrate testing to automated analysers. At CER, revenue in the remainder of our manual business remained broadly steady.

2. **Sales Organisation**

The main business opportunity for IDS's manual ELISA assays lies in two key areas:

- Research only usage in developed areas of the world. This segment typically purchases low volumes of assays and is best serviced through a telesales channel.
- Clinical use in the areas of the world which have less developed medical facilities and have not yet migrated testing to automated analysers. These regions are covered by our distribution network, which is now being managed by our newly recruited international distribution manager. I believe that the increased resources in this area give IDS a good opportunity to generate additional revenues in our manual business.

We are continuing to recruit for the position of business unit manager to head up our manual assay business to spearhead the turnaround of this business.

Licensing and Technology Business

	H1 2017	H1 2016	FY 2016	Change %	Change % at CER
Royalty Income	1,977	2,733	5,121	(28%)	(35%)
Technology Income	1,342	1,105	2,217	21%	9%
Total	3,319	3,838	7,338	(14%)	(23%)

1. Revenue Performance

At CER royalty income has decreased by 35% due to the expected reduction in revenue from one major customer. We expect this rate of decline to continue into the second half of the year.

Technology income relates to revenue generated by selling the iSYS analyser and related ancillaries to partners on an OEM basis. A total of 15 instruments were sold to partners during H1 2017 (H1 2016: 8, FY 2016: 27).

2. Strategic Partnership Agreements

During the period IDS have reached agreement to provide the IDS-iSYS analyser equipment to two new customers on an OEM basis. These customers will develop and commercialise proprietary assays on the analyser, and IDS will generate revenue through sales of analysers and ancillary equipment to these customers.

Cost Management

Towards the end of FY 2016 we started to take a closer look at our cost base, and this exercise has continued into FY 2017. With sales and profit dropping, we needed to look at the service provided and the organisational structures and capacities within IDS to ensure these are appropriate to drive our return to growth.

1. Capacity

The IDS organisation was built to support the growth it had shown in 2010-2013, when revenue peaked at over £53m. We have reduced most of the overcapacity by natural attrition, with a small number of redundancies where required. We installed a hiring freeze for all but critical roles which will help drive revenue growth and increase assay development performance.

2. Simplifying services

As announced in January 2016, we chose to focus production and R&D work for automated assays around our production site in Liege, Belgium. Additionally we decided to consolidate all R&D functions for our instruments into our site in Bourgogne and hence reduced the staff in Paris. Furthermore we are setting up a shared service centre based in Frankfurt for direct sales in continental Europe, with a potential to reduce staff by over 30% in this area. In our technical and field service organisation we decided to remove one management layer and adjusted the structure accordingly.

3. Functional Organisation

The results achieved through a review of our sales processes have underlined the advantages of functional expertise shared globally. Hence we will continue to move towards a functional organisation, and away from an organisation built around territories.

As a result of these activities we have booked an exceptional restructuring cost, relating mainly to redundancy costs, of £1.3m during the period.

We will continue to investigate means to make the business more operationally efficient. While there is still significant work to do, we believe we are well on our way to restructuring the business to enable us to both serve customers better and accelerate the development of our assay pipeline.

Financial review

Group revenues were £19.5m, an increase of 1% compared to the revenues of £19.4m recorded in H1 2016. At CER revenues fell by 9%. Adjusted EBITDA (before exceptional restructuring costs of £1.3m related to our cost initiatives) was £4.2m, in line with the same period last year.

A. SUMMARY OF INCOME STATEMENT

	H1 2017 £000	H1 2016 £000	FY 2016 £000
Revenue	**19,462**	19,354	38,305
Gross profit	**11,673**	12,114	22,465
Gross margin	***60.0%***	*62.6%*	*58.6%*
Sales and marketing	**(4,365)**	(4,392)	(9,233)
Research and development	**(902)**	(1,878)	(3,354)
General and administrative	**(4,247)**	(4,981)	(9,412)
Total operating costs	**(9,514)**	(11,251)	(21,999)
Exceptional items	**(1,276)**	-	(37,266)
Statutory EBIT	**883**	863	(36,800)
Add back			
Depreciation and amortisation	**2,063**	3,439	6,983
Exceptional items	**1,276**	-	37,266
Adjusted EBITDA	**4,222**	4,302	7,449

Foreign Exchange

During the period, IDS revenues have benefitted by around £1.9m (or 9%) as a result of the weaker Pound. In the period 34% (H1 2016: 42%) of the Group's revenues were denominated in US Dollars and 55% (H1 2016: 48%) were in Euros. These revenues are now worth more when converted into Pounds Sterling as a result of the weaker Pound.

Conversely IDS also has a significant cost based denominated in Euros and US Dollars, thus these costs have increased compared to H1 2016 when converted back into Pounds Sterling.

The approximate net improvement in the H1 2017 EBIT as a result of movements in exchange rates is £0.5m.

The average exchange rates used to translate Euros and US Dollars to Pounds Sterling are as follows:

Average exchange rates	**H1 2017**	**H1 2016**	**FY 2016**
Sterling : US Dollar	**1.39**	**1.54**	**1.51**
Sterling : Euro	**1.24**	**1.40**	**1.37**

Gross Profit

Gross profit was £11.7m (H1 2016: £12.1m) implying a gross margin percentage of 60.0% (H1 2016: 62.6%). The decline in gross margin is mainly due to the impact of product mix and lower royalty income, offset by lower amortisation costs.

Operating costs

The Group's total operating costs (before exceptional items) comprise:

	H1 2017			H1 2016			FY 2016		
	Gross £000	**Costs capitalised £000**	**Net £000**	Gross £000	Costs capitalised £000	Net £000	Gross £000	Costs capitalised £000	Net £000
Sales & marketing	**(4,365)**	**-**	**(4,365)**	(4,392)	-	(4,392)	(9,233)	-	(9,233)
Research & development	**(2,040)**	**1,138**	**(902)**	(3,361)	1,483	(1,878)	(6,320)	2,966	(3,354)
General & administrative	**(4,439)**	**192**	**(4,247)**	(5,115)	134	(4,981)	(9,717)	305	(9,412)
Operating costs	**(10,844)**	**1,330**	**(9,514)**	(12,868)	1,617	(11,251)	(25,270)	3,271	(21,999)

Total spend on operating costs has declined by 16%, or £2.1m, to £10.8m (H1 2016: £12.9m, FY 2016: £25.3m), with £1.0m of the decrease attributable to the reduction in depreciation and amortisation as a result of the exceptional impairment charge booked at 31 March 2016. At CER total operating costs for H1 2017 would be £10.0m, a decline of 22%.

Cost reclassification – depreciation and amortisation

To ensure that the Group's financial performance can be more easily benchmarked with its peer group, the depreciation costs previously shown on the face of the income statement have been included within operating costs. This does not impact the profit or net assets of the group for either H1 2016 or Full Year 2016. A table detailing the impact of this reclassification is set out in note 1.

Exceptional items

During the period the Group has initiated a number of restructuring projects designed to rationalise the cost base of the business. These projects are focussed on making the organisation more efficient, while retaining the skills and competencies we need to return the business to profitable growth.

At CER we are targeting an improvement in our fixed cost base of £3.5m versus FY 2016.

The project to consolidate our automated assay operations into Liege is progressing well and will be completed on schedule in December 2016. Additionally at the time of writing we have substantially completed the restructure of our operations in France, where we have streamlined the iSYS manufacturing and commercial support functions so that we have a more efficient operational structure which is appropriate for the anticipated future business requirements.

Below is a summary of the exceptional items during the current and previous financial period:

	H1 2017	H1 2016	FY 2016
	£000	£000	£000
Restructuring costs	**(1,276)**	-	(362)
Repayable grant release	**-**	-	1,323
Impairment of goodwill, intangible assets and tangible fixed assets	**-**	-	(38,227)
Total exceptional items	**(1,276)**	-	(37,266)

In H1 2017, exceptional items relate to redundancy expenses driven by our cost reduction initiatives.

In the year-ended 31 March 2016, the Group commenced the consolidation of automated product development and production into our Liege site, resulting in redundancy costs and an onerous lease provision in our Boldon location. We released a historical repayable grant amounting to £1.3m, upon obtaining written confirmation from the grantor that no further amount would be repayable. Additionally as a result of the annual impairment review performed at the end of FY2016 as required by IAS36, an asset impairment charge of £38.2m was recognised. More details on this charge can be found in notes 14 and 15 of the Annual Report and Accounts 2016.

Finance expense/income

Net finance expense was £0.4m (H1 2016: £nil, FY 2016 £0.2m) and relates mainly to foreign exchange gains and losses on intercompany funding and cash balances.

Taxation

The Group's effective tax rate for the current period is based on an estimate of the rate for the full financial year and is -35% (H1 2016: -42%). Before exceptional items, prior year adjustments and the effect of rate changes on deferred tax balances, the effective rate is -51% (H1 2016:-42%). The effective tax rate is reduced by 71% as a result of research and development tax relief claimed on eligible expenditure and patent box relief.

Earnings per share

Adjusted earnings per share is calculated using profit after tax adjusted to exclude the after tax effect of exceptional items. Basic earnings per share are 5.0p (H1 2016: 4.0p). Adjusted basic earnings per share are 9.3p (H1 2016: 4.0p).

Headcount

Headcount has reduced to 294 people on a full time employment basis (30 September 2015: 328, 31 March 2016: 315) as a result of projects we have implemented to improve our business efficiency.

B. SUMMARY OF BALANCE SHEET

The Group's net assets at 30 September 2016 are £55.5m (30 September 2015: £81.6m). The main reason for the reduction is the asset impairment charge of £38.2m recognised during the second half of FY 2016. This is also the main reason non-current assets have reduced from £56.2m to £19.6m.

C. SUMMARY OF CASH FLOW STATEMENT

IDS generated net cash flows from operations of £3.7m (H1 2016: £3.1m). Net cash used in investing activities was of £1.5m (H1 2016:£2.5m), which resulted in free cash flow of £2.1m (H1 2016: £0.5m).

Net cash used in financing activities was £0.4m (H1 2016: £0.9m), the decrease being mainly due to the lower dividend paid.

The majority of the cash outflow relating to the exceptional restructuring costs of £1.3m recognised during H1 2017 will occur during the second half of FY 2017.

As at 30 September 2016, the Group had increased cash and cash equivalents to £28.7m (30 September 2015: £23.5m; 31 March 2016: £26.6m). Thus despite the headwinds caused by the decline in 25-OH Vitamin D revenues it is encouraging that our cash balance has continued to grow, which allows IDS flexibility to pursue potential options within the corporate development/ partnership pillar of our strategy.

D. OUTLOOK

The medium-term trading conditions for the Group remain challenging. We expect to see continued declines in our 25-OH Vitamin D and Royalty Income revenue streams during H2, however will strive to offset these losses by continuing to grow in our Other Speciality assay and Technology businesses.

Management will focus its efforts on improving our sales processes and capabilities, as well as strengthening our product pipeline through internal development and external partnerships. The next intermediate goal is to stabilize the revenue line on a like for like basis, as well as continuing efforts to make the organisation more efficient into FY 2018.

Unaudited consolidated interim income statement
For the six month period to 30 September 2016

	Note	6 Months ended 30 Sept 2016	6 Months ended 30 Sept 2015	Year ended 31 March 2016
	Note	£000	£000	£000
Revenue	**2**	**19,462**	**19,354**	**38,305**
Cost of Sales		(7,789)	(7,240)	(15,840)
Gross Profit		**11,673**	**12,114**	**22,465**
Sales and marketing		(4,365)	(4,392)	(9,233)
Research and development		(902)	(1,878)	(3,354)
General and administrative		(4,247)	(4,981)	(9,412)
Operating costs pre-exceptional items		(9,514)	(11,251)	(21,999)
Restructuring costs		(1,276)	-	(362)
Repayable grant release		-	-	1,323
Impairment of goodwill and other intangibles		-	-	(38,227)
Total exceptional items	3	(1,276)	-	(37,266)
Operating Costs		**(10,790)**	**(11,251)**	**(59,265)**
Profit/ (loss) from operations		**883**	**863**	**(36,800)**
Finance income		96	104	169
Finance costs		(481)	(140)	(392)
Profit/(loss) before tax		**498**	**827**	**(37,023)**
Income tax credit	5	985	350	4,853
Profit/(loss) for the period attributable to owners of the parent		**1,483**	**1,177**	**(32,170)**
Earnings per share				
From continuing operations				
Adjusted basic	4	9.3p	4.0p	4.7p
Adjusted diluted	4	9.3p	4.0p	4.7p
Basic	4	5.0p	4.0p	(109.7p)
Diluted	4	5.0p	4.0p	(109.7p)

Unaudited interim statement of other comprehensive income
For the six month period to 30 September 2016

	6 Months ended 30 Sept 2016	6 Months ended 30 Sept 2015	Year ended 31 March 2015
	£000	**£000**	**£000**
Profit/ (loss) for the period	**1,483**	**1,177**	**(32,170)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences	2,522	467	3,741
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before and after tax	**2,522**	**467**	**3,741**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit plan	113	36	102
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, before tax	**113**	**36**	**102**
Tax relating to other comprehensive income to be reclassified to profit or loss in subsequent periods	-	(12)	(34)
Other comprehensive income, net of tax	**2,635**	**491**	**3,809**
Total comprehensive income/(expense) for the period attributable to owners of the parent	**4,118**	**1,668**	**(28,361)**

Unaudited consolidated interim balance sheet
As at 30 September 2016

	Note	30 September 2016 £000	30 September 2015 £000	31 March 2016 £000
Assets				
Non-current assets				
Property, plant and equipment		9,416	10,011	9,629
Goodwill		-	15,549	-
Other intangible assets		9,786	30,282	9,211
Deferred tax assets		33	86	26
Other non-current assets		323	276	294
		19,558	56,204	19,160
Current assets				
Inventories		8,035	7,760	7,509
Trade and other receivables		7,784	7,215	6,956
Income tax receivable		3,093	2,534	2,161
Cash and cash equivalents		28,700	23,486	26,554
		47,612	40,995	43,180
Total assets		67,170	97,199	62,340
Liabilities				
Current liabilities				
Short-term portion of long-term borrowings		98	82	89
Trade and other payables		6,378	5,289	6,287
Income tax payable		48	804	3
Provisions	6	1,204	83	54
Deferred income		79	137	119
		7,807	6,395	6,552
Net current assets		39,805	34,600	36,628
Non-current liabilities				
Long-term portion of long-term borrowings		1,290	1,194	1,220
Repayable grants		-	1,375	-
Provisions	6	1,310	1,108	1,419
Deferred tax liabilities		1,400	5,507	1,551
		4,000	9,184	4,190
Total liabilities		11,807	15,579	10,742
Net assets		**55,363**	**81,620**	**51,598**
Total equity				
Called up share capital	7	588	588	588
Share premium account	7	32,263	32,263	32,263
Other reserves		4,982	(814)	2,460
Retained earnings		17,530	49,583	16,287
Equity attributable to owners of the parent		**55,363**	**81,620**	**51,598**

Unaudited consolidated interim cash flow statement

For the six month period to 30 September 2016

	6 Months ended 30 Sept 2016	6 Months ended 30 Sept 2015	Year ended 31 March 2016
	£000	£000	£000
Profit/(loss) before tax	498	827	(37,023)
Adjustments for:			
Depreciation of property, plant and equipment	1,156	1,190	2,418
Amortisation of intangible assets	907	2,249	4,565
Impairment of goodwill	-	-	16,496
Impairment of intangible assets	-	-	21,504
Impairment of property, plant and equipment	-	-	227
Loss/(profit) on disposal of property, plant and equipment	26	(30)	157
Share based payment expense	-	15	21
Release of repayable grant	-	-	(1,323)
Finance income	(96)	(104)	(169)
Finance costs	481	140	392
Other exceptional items	1,276	-	362
Operating cash flows before movements in working capital	4,248	4,287	7,627
Decrease/(increase) in inventories	272	(922)	(350)
(Increase)/decrease in receivables	(332)	203	724
(Decrease)/increase in payables and provisions	(510)	(423)	100
Cash generated by operations	3,678	3,145	8,101
Cash outflow related to exceptional costs	(113)	-	(8)
Income taxes received/(paid)	103	(21)	95
Net cash from operating activities	**3,668**	**3,124**	**8,188**
Investing activities			
Purchases of other intangible assets	(1,321)	(1,743)	(3,388)
Purchases of property, plant and equipment	(392)	(959)	(1,795)
Disposals of property, plant and equipment	158	84	188
Interest received	96	104	169
Net cash used by investing activities	**(1,459)**	**(2,514)**	**(4,826)**
Financing activities			
Proceeds from issue of shares for cash	-	410	410
Repayments of borrowings	(49)	(324)	(410)
Interest paid	(34)	(140)	(109)
Dividends paid	(353)	(876)	(876)
Net cash used by financing activities	**(436)**	**(930)**	**(985)**
Net increase/(decrease) in cash and cash equivalents	**1,773**	**(320)**	**2,377**
Effect of exchange rate differences	**373**	**76**	**447**
Cash and cash equivalents at beginning of period	26,554	23,730	23,730
Cash and cash equivalents at end of period	**28,700**	**23,486**	**26,554**

Unaudited consolidated statement of changes in equity

	Share capital	Share premium account	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000
At 1 April 2016	588	32,263	2,460	16,287	51,598
Profit for the period	-	-	-	1,483	1,483
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	2,522	-	2,522
Remeasurement of defined benefit plan	-	-	-	113	113
Tax effect on remeasurement of defined benefit plan	-	-	-	-	-
Total comprehensive income	-	-	2,522	1,596	4,118
Transactions with owners					
Share based payments	-	-	-	-	-
Tax recognised on share based payments charged to equity reserves	-	-	-	-	-
Dividend Paid	-	-	-	(353)	(353)
Shares issued in the period (net of expenses)	-	-	-	-	-
At 30 September 2016	588	32,263	4,982	17,530	55,363
At 1 April 2015	584	31,857	(1,281)	49,248	80,408
Profit for the period	-	-	-	1,177	1,177
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	467	-	467
Remeasurement of defined benefit plan	-	-	-	36	36
Tax effect on remeasurement of defined benefit plan	-	-	-	(12)	(12)
Total comprehensive income	-	-	467	1,201	1,668
Transactions with owners					
Share based payments	-	-	-	15	15
Tax recognised on share based payments	-	-	-	(5)	(5)
Dividend Paid	-	-	-	(876)	(876)
Shares issued in the period (net of expenses)	4	406	-	-	410
At 30 September 2015	588	32,263	(814)	49,583	81,620
At 1 April 2015	584	31,857	(1,281)	49,248	80,408
Loss for the period	-	-	-	(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 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)
Dividend Paid	-	-	-	(876)	(876)
Shares issued in the year (net of expenses)	4	406	-	-	410
At 31 March 2016	588	32,263	2,460	16,287	51,598

Notes to the Interim Financial Statements
For the six month period to 30 September 2016

1 Basis of preparation

The condensed financial statements for the six months ended 30 September 2016 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2016. The condensed financial information has been prepared using the same accounting policies and methods of computation used to prepare the Group's Annual Report for the year ended 31 March 2016 that are described on pages 46 to 54 of that report which can be found on the Group's website at www.idsplc.com. The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union.

There are no new standards or interpretations mandatory for the first time for the financial year ending 31 March 2016 that have a material effect on the half year results. The financial information for the six months ended 30 September 2016 and the comparative financial information for the six months ended 30 September 2015 has not been audited, but has been reviewed by the auditors. The comparative financial information for the year ended 31 March 2016 has been extracted from the 2016 Annual Report & Accounts. The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and does not reflect all of the information contained in the Group's Annual Report and financial statements. The annual financial statements for the year ended 31 March 2016, which were approved by the Board of Directors on 21 June 2016, received an unqualified audit report, did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

Change in accounting policy relating to presentation only: the depreciation and amortisation previously shown on the face of the income statement has now been allocated among the cost categories to which it relates. This change does not impact the group profit or net assets. The changes made are highlighted in the table below:

	Before Reclassification		**Reclassifications**		**After Reclassification**	
£000	**H1 2017**	**H1 2016**	**H1 2017**	**H1 2016**	**H1 2017**	**H1 2016**
Revenue	**19,462**	**19,354**			**19,462**	**19,354**
Cost of Sales	(7,789)	(7,240)			(7,789)	(7,240)
Gross Profit	**11,673**	**12,114**			**11,673**	**12,114**
Sales and marketing	(4,297)	(4,330)	(68)	(62)	(4,365)	(4,392)
Research and development	(795)	(740)	(107)	(1,138)	(902)	(1,878)
General and administrative expenses	(3,766)	(4,521)	(481)	(460)	(4,247)	(4,981)
Operating costs pre-exceptional items	(8,858)	(9,591)	(656)	(1,660)	(9,514)	(11,251)
Exceptional items	(1,276)	-			(1,276)	-
Operating Costs	**(10,134)**	**(9,591)**	**(656)**	**(1,660)**	**(10,790)**	**(11,251)**
Depreciation and amortisation	(656)	(1,660)	656	1,660	-	-
Profit from operations	**883**	**863**	**-**	**-**	**883**	**863**

2 Revenue and segmental information

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

	H1 2017 £000	H1 2016 £000	FY 2016 £000
25-OH vitamin D	**3,239**	3,898	7,232
Other specialty	**6,231**	4,841	10,076
Instrument sales	**441**	418	983
Total automated	**9,911**	9,157	18,291
Automated revenue comprises:			
Operating lease rental	**2,297**	2,326	4,591
Reagent revenue	**7,614**	6,831	13,700
25-OH vitamin D	**1,130**	1,698	2,867
Other specialty	**3,569**	3,243	6,933
Diametra	**1,533**	1,417	2,876
Total manual	**6,232**	6,358	12,676
Licensing and Technology	**3,319**	3,838	7,338
	19,462	19,354	38,305

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 were revised during the year ending 31 March 2016 to reflect the way revenue is monitored in the business. This has resulted in some revenue in the H1 2016 results 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.

The main activity of the Group is the development, manufacture and distribution of medical diagnostic products. As described on page 54 of the 2016 Annual Report & Accounts, the Group has determined that it has one operating segment as defined under IFRS 8, being the whole of the Group. As a result of this, no detailed segmental information is provided.

3 Exceptional items

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

	H1 2017 £000	H1 2016 £000	FY 2016 £000
Restructuring costs	**(1,276)**	-	(362)
Repayable grant release	**-**	-	1,323
Impairment of goodwill, intangible assets and tangible fixed assets	**-**	-	(38,227)
Total exceptional items	**(1,276)**	-	(37,266)

In H1 2017, exceptional items relate to redundancy expenses driven by our cost reduction initiatives.

In the year-ended 31 March 2016, the Group consolidated automated product development and production into our Liege site, resulting in redundancy costs and an onerous lease provision in our Boldon location. We released a historical repayable grant amounting to £1.3m, upon obtaining written confirmation from the grantor that no further amount would be repayable. Additionally as a result of the annual impairment review performed at the end of FY2016 as required by IAS36, an asset impairment charge of £38.2m was recognised. More details on this charge can be found in notes 14 and 15 of the Annual Report and Accounts 2016.

4 Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares relating to contingently issuable shares under the Group's share option scheme. At 30 September 2016, the performance criteria for the vesting of the awards under the option scheme had been met and consequently the shares in question are included in the diluted EPS calculation.

The calculations of earnings per share are based on the following profits and numbers of shares.

	6 Months ended 30 Sept 2016	**6 Months ended 30 Sept 2015**	**Year ended 31 March 2016**
	£000	**£000**	**£000**
Profit/(loss) on ordinary activities after tax	1,483	1,177	(32,170)
	No.	No.	No.
Weighted average no of shares:			
For basic earnings per share	29,415,175	29,248,508	29,331,842
Effect of dilutive potential ordinary shares:			
-Share Options	-	9,483	5,334
For diluted earnings per share	29,415,175	29,257,991	29,337,176
Basic earnings per share	5.0p	4.0p	(109.7p)
Diluted earnings per share	5.0p	4.0p	(109.7p)

	6 Months ended 30 Sept 2015	**6 Months ended 30 Sept 2015**	**Year ended 31 March 2016**
	£000	**£000**	**£000**
Profit/(loss) on ordinary activities after tax as reported	1,483	1,177	(32,170)
Exceptional items	1,258	-	33,555
Profit on ordinary activities after tax as adjusted	2,741	1,177	1,385
Adjusted basic earnings per share	9.3p	4.0p	4.7p
Adjusted diluted earnings per share	9.3p	4.0p	4.7p

5 Taxation

The estimated tax rate for the year on profit before exceptional items of -35% (H1 2016: -42%) has been applied to the profit before exceptional items for the six months to 30 September 2016. This has been added to the tax charge on exceptional and other items relating solely to the first half year to determine the total tax charge for the six months ending 30 September 2016.

In the Budget on 16 March 2016, the Chancellor announced planned reductions in the UK Corporation tax rate to 17% by 2020. These changes were substantively enacted on 6 September 2016. This will reduce the Group's future tax charge accordingly and so has been reflected in the calculation of deferred tax.

The Group recognises certain provisions and accruals in respect of tax which involve a degree of estimation and uncertainty where the tax treatment cannot be fully determined until a resolution has been reached by the relevant tax authority. This approach resulted in providing £695,000 at 30 September 2016 (£1,305,000 at 31 March 2016). The conclusion of audits by tax authorities in the six month period ending 30 September 2016 resulted in the release of £708,000 of this provision.

6 Provisions

	Retirement/ Leavers Provision £000	Warranty Provision £000	Dilapidation Provision £000	Onerous Lease Provision £000	Restructuring Provision £000	Total £000
At 1 April 2016	644	54	541	234	-	1,473
Foreign exchange movement	64	5	-	-	-	69
Arising during the year	-	-	-	-	1,104	1,104
Reassessment in period	(91)	-	-	(41)	-	(132)
At 30 September 2016	617	59	541	193	1,104	2,514
At 1 April 2015	635	82	500	-	-	1,217
Foreign exchange movement	9	1	-	-	-	10
Reassessment in period	(36)	-	-	-	-	(36)
At 30 September 2015	608	83	500	-	-	1,191
At 1 April 2015	635	82	500	-	-	1,217
Foreign exchange movement	47	4	-	-	-	51
Arising during the year	-	-	-	234	-	234
Unwinding of discount	-	-	41	-	-	41
Reassessment in year	(38)	(32)	-	-	-	(70)
At 31 March 2016	644	54	541	234	-	1,473
At 30 September 2016						
Included in current liabilities	41	59	-	-	1,104	1,204
non-current liabilities	576	-	541	193	-	1,310
	617	59	541	193	1,104	2,514
At 30 September 2015						
Included in current liabilities	-	83	-	-	-	83
non-current liabilities	608	-	500	-	-	1,108
	608	83	500	-	-	1,191
At 31 March 2016						
Included in current liabilities	-	54	-	-	-	54
non-current liabilities	644	-	541	234	-	1,419
	644	54	541	234	-	1,473

The retirement/ leavers provision relates to statutory requirements in France and Italy to pay amounts to retiring/ leaving employees under certain circumstances. There is no general assumption that employees will leave within the next 12 months, except for those impacted by the French restructure, and as such the provision relating to those included in the French restructure is classified as current, while the remainder is included within non-current liabilities.

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

The dilapidations provision relates to leased buildings in Boldon, UK and at its earliest will be required to be settled in July 2020, at the first break point in a 15-year lease signed in February 2015. 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 £193,000 at the balance sheet date.

The restructuring provision relates to expected redundancy and related costs arising as a result of our cost reduction projects and is expected to be settled during the next twelve months.

7 Share Capital

	6 Months ended 30 Sept 2016	6 Months ended 30 Sept 2015	Year ended 31 March 2016
	£000	**£000**	**£000**
Equity Shares			
Authorised:			
75,000,000 Ordinary Shares of £0.02 each at 30 Sept 2016, 31 March 2016 and 30 September 2015	1,500	1,500	1,500
Share Capital			
Allotted, called up and fully paid:			
29,415,175 in issue at 1 April 2016 (1 April 2015: 29,215,175)	588	584	584
Issued on the exercise of share options	-	4	4
29,415,175 in issue at 30 Sept 2016 (30 Sep 2015: 29,415,175, 31 Mar 2016: 29,415,175)	588	588	588
Share Premium			
Balance brought forward	32,263	31,857	31,857
Premium on shares issued during the year	-	406	406
	32,263	32,263	32,263

8 Financial assets and financial liabilities

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

9 Interim results

These results were approved by the Board of Directors on Thursday 24 November 2016. Copies of this interim report will be available to the public from the Group’s registered office and www.idsplc.com.

Independent review report to Immunodiagnostic Systems Holdings PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 which comprises the Consolidated Interim Income Statement, Consolidated Interim Statement of Comprehensive Income, Consolidated Interim Balance Sheet, Consolidated Interim Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 to 9. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
Newcastle upon Tyne
24 November 2016