Final Results

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Immunodiagnostic Systems Hldgs PLC
27 June 2011

Immunodiagnostic Systems Holdings plc
("IDS" or '"the Company" or the "Group")

Preliminary results for the year ended 31 March 2011

Immunodiagnostic Systems Holdings plc (AIM: IDH), a leading producer of diagnostic testing kits for the clinical and research markets, announces its preliminary results for the year ended 31 March 2011.

IDS operates in the in-vitro diagnostics ("IVD") market. The Company designs, manufactures and sells immunoassay kits which are used to measure or detect particular substances within a sample, thus aiding the diagnosis or monitoring of a disease or providing information for research studies.

Financial Highlights

- Turnover up 35% to £50.2m (2010: £37.2m)
  - Manual Vitamin D - represents 55.5% of Turnover (2010: 59.2%)
  - Automated revenues (IDS-iSYS) - represents 20.6% of Turnover (2010: 7.3%)
- Gross profit up 36% to £37.5m (2010: £27.5m)
- EBITDA up 40% to £21.0m (2010: £15.0m)
- PBT up 51% to £16.6m (2010: £11.0m)
- Earnings per share (diluted) up 54% to 44.6p (2010: 28.9p)
- Dividend up 25% to 2.5p (2010: 2.0p)
- Bank borrowings reduced and cash up 20.6% to £6.4m (2010: £5.3m)

Operational Highlights

- Launch of 3 new automated assays on the IDS-iSYS platform bringing the total automated range to 9
- Receipt of US FDA 510(k) clearance for three automated assays for sale in the USA (clearance received for a further two assays post the year end)
- Increased average revenue per instrument resulting from an expanding product menu
- Increased efficiencies from manufacturing sites have contributed towards increased profitability
- Increased staffing numbers across the Company - up c. 25% to 294 employees
- Board changes to meet the needs of the next phase of growth and development

Commenting on Outlook, David Evans, Chairman said:
"Trading for the first three months of the year is in line with management expectations and the directors believe that this is a direct result of the market acceptance of the IDS-iSYS and its increasing menu.

Q1 has seen revenues grow from £11.5m last year to circa £14.5m, an increase of 26% and in addition to revenue growth we have also accelerated the rate we sell or place our iSYS instruments by more than doubling last year's Q1 number."

For further information:

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NON-EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to report on another year of continued growth at Immunodiagnostic Systems.

Growth in Revenue, Gross Profit, EBITDA, PBT and Earnings per share have been achieved by the market's "acceptance" of the IDS-iSYS as a reliable and innovative machine with a growing panel of enviable products designed for patient diagnosis. This with the continued growth of our manual products, especially our Vitamin D range has enabled the Group to progress along the path set by management.

Significant Achievements

Increased demand for all of our major products;

Increased efficiencies from our manufacturing sites which have contributed towards our increase in profitability;

Increased internal investment in the Group's infrastructure allowing better economies of scale;

Increased average revenue per instrument resulting from our expanding product menu;

Increase in the "estate of IDS-iSYS" placements throughout our direct territories as well as through our network of distributors.

Results

Turnover has increased by 35% to £50.2m (2010: £37.2m) with increased automated revenues from the IDS-iSYS accounting for 60% of this growth.

Gross profit has increased substantially during the period from £27.5m in 2010 to £37.5m in 2011, an increase of 36%.

Operating profits increased by 52% from £11.3m to £17.1m.

EPS
The Earnings per Ordinary Share has increased from 30.017p to 46.493p an increase of 54.9%. Fully diluted the total increase is 54.3% (44.633p vs 28.926p).

Balance sheet

Current Assets

- Cash and bank was up 20.6% to £6.4m (2010: £5.3m);
- Trade and other receivables increased from £10.8m to £11.7m and reflects our increased turnover;
- Inventories have increased from £6.4m to £8.5m reflecting our increased turnover and stock of automated instruments and components.

Liabilities

Bank borrowings have decreased by from £11.2m to £6.4m. In March the company made an early repayment of circa €3m against its debt owed to Barclays bank.

Direction and Growth

Businesses integration continues at a pace and during the year we have increased our staff numbers by circa 25% to 294 employees, allowing us the flexibility required to meet the demands of our customers and grow our business in these challenging and uncertain times.

The strategic direction remains the same; new product development, geographic growth and acquisition. This strategy was amply demonstrated during the last twelve months with the launch of new automated IDS-iSYS products, the acquisition in October 2010 of MGP Diagnostics and direct sales into Benelux of our automated IDS-iSYS system. More of this progress is contained within the CEO's report.

Board and Management

In the past year the Board has looked to transition itself to the needs of the next phase of the Group's growth and development. There have been a number of changes put in place and a further number of changes are planned over the coming year.

In October last year we appointed Ian Cookson to be Group Chief Executive succeeding Dr Roger Duggan who had led the Group through an extraordinary period of growth. Ian was previously Chief Operating Officer and those key operational skills gained in that role have helped him to make the successful transition to CEO. Roger has taken on a new role both as Deputy Chairman and also as Business Development Director with specific responsibility for licensing.

The gap created by Ian's elevation has now been filled by the appointment of Michel Grandjean who has assumed the role of Operations Director. Michel has extensive operational experience in Life Science Manufacturing.

As we announced in May of this year we strengthened our team of Non Executive Directors with the appointment of Roland Sackers of QIAGEN. Roland has been a fundamental part of the QIAGEN team that has overseen its growth over the past decade to be one of the leading global diagnostic and life sciences company. Roland as well as joining the Board will Chair the Audit Committee.

There are a number of planned changes that will take effect over the next year.

Firstly it is my intention to step down as Chairman at the time of the AGM in September 2011 and the extensive search process for my successor is nearing its completion. We expect to make an announcement in the near future.

Secondly, our Group Finance Director Paul Hailes has indicated he wishes to pursue his career with Immunodiagnostics in its North American operations and the search for his successor is underway.

Paul will continue in his present role until his successor is found.

These changes are necessary to ensure that the Company will have the maximum chance of successfully capitalising on the growth opportunities available and make the transition into an operation that is substantially larger than it is today whilst retaining its level of profitability.

Outlook

Again trading for the first three months of the year is in line with management expectations and the directors believe that this is a direct result of the market acceptance of the IDS-iSYS and its increasing menu.

Q1 has seen revenues grow from £11.5m last year to circa £14.5m, an increase of 26% and in addition to revenue growth we have also accelerated the rate we sell or place our iSYS instruments by more than doubling last year's Q1 number.

I look forward to updating you throughout the year on:

- Additional product launches on the IDS-iSYS;
- Regulatory submission and approval on our new automated products;
- Expansion of our IP portfolio;
- Leveraging our automated technology.

Finally, the growth we have experienced over the last twelve months could not have been achieved without the total commitment of our global workforce and the continued support of our Shareholder base for which I would formally like to record my thanks to both groups.

David Evans
Non-Executive Chairman
24 June 2011

CEO'S STATEMENT

Market Review

The IDS Group has had a successful year. We have grown both revenues and profit but most importantly the year saw the IDS-iSYS come of age. Overall IDS-iSYS revenue increased by 282% to £10.4 million and the assay menu, outside the USA market, grew to 9 assays.

As well as placing a further 81 systems through our direct sales operations we sold 35 systems to our distributors and 51 systems to our OEM partners. This brings the total number of IDS-iSYS systems placed or sold to 241 units from its launch in February 2009.

Vitamin D continues to be our most important product. We believe that the demand for vitamin D testing will continue to grow, albeit at lower growth rates than seen over in recent years (70+ % CAGR). We estimate the market will more than double in size over the coming 5 years. Our total vitamin D sales increased 46% to £33.5 million, including over £5.6 million of IDS-iSYS vitamin D revenues; manual vitamin D assay revenues increased by 27%.

As anticipated a number of new competing vitamin D assays came to the market during the year. The quality of our manual assays and the size and versatility of the IDS-iSYS have allowed us to grow our vitamin D revenues despite the increased competition. Expanding the menu of specialist assays on the IDS-iSYS system is a key part of our strategy, and the higher number of assays available on the system has broadened its appeal with an increasing proportion of our direct customer base now running other tests in addition to vitamin D. The good technical performance of the IDS-iSYS assays, the reliability of the IDS-iSYS systems and the high level of customer service and support we provide have enabled us to place systems in all sectors of the market, from small private laboratories to large reference laboratories. We have been particularly successful at installing systems in locations that have previously been sending samples out to other laboratories for testing.

Our major direct sales operations showed strong growth during the year with the US recording growth of 56% to £18.7 million, France 29% to £10.1 million and Germany 31% to £6.0 million. Towards the end of the year we established a further direct sales operation for the IDS-iSYS covering the Benelux countries and have already made strong sales into this territory.

Sales through our network of distributors grew by 36% to £8.9 million, including nearly £2.5 million of IDS-iSYS systems and reagents. Although still relatively small, sales in China and India grew by 46% and 169% respectively.

In March 2011 we agreed terms with Omega Diagnostics plc allowing them to develop and market a range of allergy assays on the IDS-iSYS. As well as receiving license payments we will sell them iSYS instruments and consumables and receive a royalty on their allergy reagent sales.

People

To meet the demands placed on our growing business we have recruited a further 50 people during the period bringing the total to 294. During this time we have been able to slightly improve our gross margin (74.7% v 74.1%) and decrease our % overhead costs to 40.5% of turnover (2010:43.7%).

The majority of the recruitment has been in direct manufacturing, particularly in Liège, where we make the IDS-iSYS reagents, and in sales and sales support roles, particularly in the US where we have grown total head count from 8 to 32 people to exploit the opportunity the US market represents.

Infra-structure

During the year we have made improvements to all 3 of our manufacturing sites. In Pouilly en Auxois in France we introduced lean manufacture techniques and increased the capacity for producing IDS-iSYS instruments. We also installed a second assembly line for the disposable cuvette used by the instrument and made other improvements to the facility. In Liège in Belgium there have been significant changes to improve the capacity and workflow for IDS-iSYS reagents (up by 232% compared to the previous year) and further automation is planned for this site. In the UK we have leased a neighbouring building to accommodate a 17% increase in manual product unit output and additional head office functions.

Product Development

During the year we expanded the IDS-iSYS product menu by launching a further 3 assays. CTX-I,(otherwise known as CrossLaps®), launched in July 2010, and Ostase® Bone specific Alkaline Phosphatase (BAP), launched in March 2011, are both useful in the management of metabolic bone disease and postmenopausal osteoporosis. This brings the current bone panel to 5 assays, the most comprehensive of any diagnostic assay provider, and allows the simultaneous determination of vitamin D and PTH, (which control calcium) along with biomarkers of bone formation (PINP, Osteocalcin and BAP) and bone resorption (CTX-I) in the same patient sample.

We also launched our assay for Insulin-like Growth Factor Binding Protein 3 (IGFBP-3) completing the IDS-iSYS Growth Panel developed in conjunction with Prof Martin Bidlingmaier of the University of Munich. When used alongside the results obtained using the IDS-iSYS human Growth Hormone (hGH) and Insulin-like Growth Factor-I (IGF-I) assays, the test is useful in the diagnosis of growth hormone-related disorders. All three IDS-iSYS growth factor panel assays are now available in the USA, as is the CTX-I assay.

Acquisitions

It is our aim to expand our product menu by a combination of organic development, licensing agreements and acquisitions. In October we completed the acquisition of MGP Diagnostics AS, which owns the patent rights to a unique biomarker, Matrix GLA protein (mGLA). There is growing evidence that mGLA is a controlling factor in the inappropriate calcification of soft tissues such as the carotid arteries and heart valves, which in turn plays a significant role in cardiovascular disease. Patients suffering from chronic kidney disease (CKD) and those on dialysis commonly develop some degree of coronary artery calcification. The availability of a biomarker such as mGLA for early diagnosis and monitoring of therapy will provide a valuable tool to cardiovascular and renal physicians.

Management team

Since the year end I am pleased to report the appointment of Michel Grandjean, previously of Patheon and Hoechst Roussel, as our new Operations Director. Michel will play a key role in the continuing upgrading of our manufacturing systems and facilities, particularly the introduction of a new Enterprise Resource Planning (ERP) system for the group.

You will have read in the Chairman's statement that David Evans and Paul Hailes have decided to leave the Board of IDS, although I am pleased to say Paul will remain within the Group. Together with my predecessor Roger Duggan they have made IDS the company it is today. Through the flotation of the company and the strategic acquisitions they have executed IDS has become a key specialist diagnostics company with a strong base for further growth. I have known and worked with them both for many years and wish them both well for the future. Roger of course remains very much a part of the business as Deputy Chairman and as the leader of the Business Development Group. This group will identify and bring to the company the key biomarkers that will ensure our leadership position in our selected areas of activity.

During the year we achieved our key operational objectives and made satisfactory progress in the development of our business. We have set ourselves demanding targets for the new financial year. We will expand both our IDS-iSYS product range and our customer base. We expect to enter into new distribution arrangements in developing territories to broaden our geographic presence and finally we will continue to look for appropriate investment opportunities to grow our company. All at IDS are committed to deliver on these targets and continue to enhance shareholder value.

Ian Cookson
Chief Executive Officer
24 June 2011

FINANCIAL REVIEW

Financial Highlights

Together, the increase in sales of our manual Vitamin D range of products and the growing acceptance and hence increase in sales of our automated IDS-iSYS products has significantly contributed towards this year's growth. Whilst all subsidiary companies have benefited from this it is our USA subsidiary which has once again achieved the highest percentage growth. Average annual revenue per IDS-iSYS system has increased by £25,000 to £102,000 (2010:£77,000) and a major contribution towards this growth has been from accounts secured in the USA which tend to be larger in size than we typically have elsewhere.

Turnover

Turnover increased by 35% to £50.2m (2010: £37.2m). Our European Group companies have enjoyed a 25% increase in annual sales this year compared to a 56% growth in the USA.

Gross Margin

Gross margin increased slightly during the year to 74.7% (gross profit £37.5m) from 74.1% in 2010 (gross profit £27.5m).

Operating costs and profits

Our R&D expenditure for the year was up 8% to £4.0m (2010: £3.7m) this was in line with management expectations as we look to grow our automated product offerings and invest resources into developing newly acquired Intellectual Property gained from the acquisition of MGP Diagnostics.

Distribution and Administrative expenses increased by £4.1m to £20.3m compared to £16.2m in 2010. This increase was expected as we support the roll out of the IDS-iSYS.

The charge for depreciation and amortisation of intangibles was £3.8m compared to £3.4m in 2010 and is in line with management expectations.

EBITDA

The Group reports an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) from £15.0m to £21.0m and increase of 40%.

Turnover by Product Area

Year ending 31 March	2011 £m	2010 £m	Change %
Manual Vitamin D	27,863	22,000	26.65%
Octeia	2,181	2,053	6.23%
Gamma B	766	167	358.68%
Other	1,939	1,048	85.02%
Automation	10,357	2,714	281.61%

Total of IDS products	43,106	27,982	54.05%
Distribution of third-party sales	1,690	2,040	-17.16%
Nordic Bioscience Diagnostics	3,884	4,003	-2.97%
Biocode Hycel	1,484	3,133	-52.63%
Total Turnover	50,164	37,158	35.00%

Balance Sheet

The Group's non-current assets at 31 March 2011 were £73.2m (2010: £61.2m) which consisted of property, plant and equipment of £8.3m, intangible assets of £57.9m, investments of £0.2m and deferred tax of £6.8m. Intangible assets principally relate to the patents and goodwill acquired on acquisitions.

Inventories have increased to £8.5m (2010: £6.4m) and receivables have increased to £13.0m (2010: £11.4m) while current liabilities have increased to £12.1m (2010: £10m). Non-current liabilities have increased to £14.9m (2010: £13.3m).

The Group's net debt was significantly reduced during the year, down £5.9m to £0.1m (2010: £6.0m) and this was after the acquisition of MGP Diagnostics in October 2010. The group also elected to repay almost €3m of debt in March which will lower finance charges going forward.

Dividend policy and dividend

The board is proposing a dividend for the year of 2.5p (2010: 2.0p) subject to the approval of shareholders at the Annual General Meeting. The dividend per share will be paid on 29 September 2011 to shareholders on the register at the close of business on 2 September 2011.

Financial performance

The Group has produced another year of growth in sales and profitability as well as geographical expansion, with a direct sales presence for our automated products in Benelux. Interestingly, the number of invoices issued during the year has fallen slightly and this reflects the reduction in our Bio-Chemistry business which we inherited when we acquired Biocode Hycel in 2007 - this business consists of a relatively high number of small orders which has generated a lower gross margin than that enjoyed elsewhere within the Group. We have successfully reassigned some of the resources historically allocated to Bio-Chemistry to IDS-iSYS reagent production.

Our progress on our strategic objectives is monitored by the Board of Directors by reference to six performance indicators applied on a Group-wide basis. The Group's performance for 2011 and 2010 is shown below:

Financial KPI	2011	2010	Variance
Annual increase in sales	35.00%	49.00%	-14.00%
Number of net invoices issued	19,765	19,886	-0.61%
Gross Margin	74.66%	74.05%	0.61%
Profit after tax	25.90%	21.73%	4.17%
Basic earnings per share	46.493p	30.017p	16.476p
Diluted earnings per share	44.633p	28.926p	15.707p

Paul Hailes
Finance Director
24 June 2011

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2011

	2011 £000	2010 £000
REVENUE	50,164	37,158
Cost of sales	(12,714)	(9,642)
Gross profit	37,450	27,516
Distribution costs	(7,051)	(5,923)
Administrative expenses	(13,272)	(10,311)
PROFIT FROM OPERATIONS	17,127	11,282
Finance income	220	259
	17,347	11,541
Finance costs	(711)	(555)
PROFIT BEFORE TAX	16,636	10,986
Income tax expense	(3,645)	(2,911)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	12,991	8,075
EARNINGS PER SHARE		
From continuing operations		
Basic	46.493p	30.017p
Diluted	44.633p	28.926p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	2011 £000	2010 £000
PROFIT FOR THE YEAR	12,991	8,075
Currency translation differences	(842)	(1,906)
OTHER COMPREHENSIVE INCOME, BEFORE TAX	(842)	(1,906)
Income tax relating to items credited/charged to equity	86	(98)
OTHER COMPREHENSIVE INCOME, NET OF TAX	(756)	(2,004)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	12,235	6,071

CONSOLIDATED BALANCE SHEET
31 March 2011

	2011 £000	2010 £000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8,275	5,198
Goodwill	17,693	17,680
Other intangible assets	40,268	38,051
Investments	4	4
Deferred tax assets	6,754	-
Other non-current assets	237	213
	73,231	61,146
CURRENT ASSETS		
Inventories	8,453	6,427
Trade and other receivables	11,679	10,806
Income tax assets	1,286	576
Cash and cash equivalents	6,364	5,276
	27,782	23,085
TOTAL ASSETS	101,013	84,231
LIABILITIES		
CURRENT LIABILITIES		
Short-term portion of long-term borrowings	2,113	2,681
Trade and other payables	7,714	6,203
Income tax liabilities	2,108	914
Deferred income	121	153
	12,056	9,951
NET CURRENT ASSETS	15,726	13,134
NON-CURRENT LIABILITIES		
Long-term borrowings	4,312	8,643
Provisions	1,160	1,901
Deferred tax liabilities	9,459	2,725
	14,931	13,269
TOTAL LIABILITIES	26,987	23,220
NET ASSETS	74,026	61,011

	2011 £000	2010 £000
TOTAL EQUITY		
Called up share capital	559	557
Share premium account	29,353	29,281
Other reserves	12,053	11,780
Retained earnings	32,061	19,393
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	74,026	61,011

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2011

	2011 £000	2010 £000

OPERATING ACTIVITIES		
Cash generated from operations	19,367	11,731
Income taxes paid	(2,214)	(1,344)
Interest paid	(711)	(693)
NET CASH FROM OPERATING ACTIVITIES	16,442	9,694
INVESTING ACTIVITIES		
Asset acquisition	(1,907)	(213)
Purchases of other intangible assets	(3,736)	(4,544)
Purchases of property, plant and equipment	(4,445)	(2,429)
Interest received	218	259
NET CASH USED BY INVESTING ACTIVITIES	(9,870)	(6,927)
FINANCING ACTIVITIES		
Proceeds from issue of shares for cash	74	816
Repayments of borrowings	(4,895)	(2,447)
Repayments of hire-purchase obligations	(56)	(102)
Dividends paid	(559)	(436)
NET CASH USED BY FINANCING ACTIVITIES	(5,436)	(2,169)
EFFECT OF EXCHANGE RATE DIFFERENCES	(48)	222
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,088	820
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,276	4,456
CASH AND CASH EQUIVALENTS AT END OF YEAR	6,364	5,276

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2011

	Called up share capital £000	Share premium account £000	Merger reserve £000	Share-based payments reserve £000
At 1 April 2009	528	28,500	583	518
Profit for the year				
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	-	-
Tax effect of treatment of foreign currency translation differences	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	1,549
Tax benefit on exercise of share options	-	-	-	-
Share-based payments	-	-	-	355
Transfer on exercise of share options	-	-	-	(285)
Dividends paid	-	-	-	-
Shares issued in the period (net of expenses)	29	781	-	-
At 31 March/1 April 2010	557	29,281	583	2,137
Profit for the year				
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	-	-
Tax effect of treatment of foreign currency translation differences	-	-	-	-
	-	-	-	-
Total comprehensive income				
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	683
Tax benefit on exercise of share options	-	-	-	-
Share-based payments	-	-	-	369
Transfer on exercise of share options	-	-	-	(23)
Dividends paid	-	-	-	-

Shares issued in the period (net of expenses)	2	72	-	-
At 31 March 2011	559	29,353	583	3,166

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

	Currency translation reserve £000	Retained earnings £000	Treasury shares £000	Total £000
At 1 April 2009	11,064	9,526	(7)	50,712
Profit for the year	-	8,075	-	8,075
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(1,906)	-	-	(1,906)
Tax effect of treatment of foreign currency translation differences	(98)	-	-	(98)
Total comprehensive income	(2,004)	8,075	-	6,071
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	1,549
Tax benefit on exercise of share options	-	1,943	-	1,943
Share based payments	-	-	-	355
Transfer on exercise of share options	-	285	-	-
Dividends paid	-	(436)	-	(436)
Shares issued in the period (net of expenses)	-	-	7	817
At 31 March/1 April 2010	9,060	19,393	-	61,011
Profit for the year		12,991		12,991
Other comprehensive income				
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(842)	-	-	(842)
Tax effect of treatment of foreign currency translation differences	86	-	-	86
Total comprehensive income	(756)	12,991	-	12,235
Transactions with owners				
Deferred tax recognised on share based payments	-	-	-	683
Tax benefit on exercise of share options	-	213	-	213
Share based payments	-	-	-	369
Transfer on exercise of share options	-	23	-	-
Dividends paid	-	(559)	-	(559)
Shares issued in the period (net of expenses)	-	-	-	74
At 31 March 2011	8,304	32,061	-	74,026

PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	2011 £000	2010 £000
Amortisation of government grants re fixed assets	(49)	(209)
Amortisation of other intangible assets	2,536	2,346
Depreciation of owned plant, property and equipment	1,254	951
Depreciation of assets held under hire purchase agreements	24	54
Operating lease costs	609	630
Share-based payments	369	355
Other staff costs	14,086	12,749
Net (gain) on foreign currency translation of trading items	164	(78)
(Gain)/ loss on foreign currency translation of contingent consideration	(87)	(78)
Research and development	725	122
Auditor's remuneration (see below)	107	134

Expenses charged in arriving at profit from operations can be analysed by nature as follows:

	2011	2010
	£000	£000
Staff costs (see note 4)	14,455	13,104
Material costs	8,692	6,416
Research and development costs	725	122
Depreciation of property plant and equipment	1,278	1,005
Amortisation of intangible assets	2,536	2,346
Foreign currency translation differences	77	(156)
Other operating expenses	5,275	3,039
	33,037	25,876

EARNINGS PER ORDINARY 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 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 two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's share option scheme. At 31 March 2011, 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.

	2011	2010
	£000	£000
Profit on ordinary activities after tax	12,991	8,075
Weighted average no of shares:	No.	No.
For basic earnings per share	27,942,000	26,902,000
Effect of dilutive potential ordinary shares:		
-Share Options	1,164,000	1,014,000
For diluted earnings per share	29,106,000	27,916,000
Basic earnings per share	46.493p	30.017p
Diluted earnings per share	44.633p	28.926p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2011

1. Extract from Annual Report and Financial Statements

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 March 2011 or 2010 but is derived from those financial statements. Statutory financial statements for 2010 have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The annual report and financial statements for the year ended 31 March 2011 will be posted to shareholders in July 2011. The results for the year ended 31 March 2011 were approved by the Board of Directors on 24 June 2011 and are audited.

2. Basis of preparation

The audited preliminary announcement has been prepared under the historical cost convention on a going concern basis and in accordance with the recognition and measurement principles of International Financial Reporting Standards and IFRIC interpretations as adopted by the EU ("IFRS").

The preliminary announcement has been prepared on the basis of the same accounting policies as published in the audited financial statements of the Group for the year ended 31 March 2010 and the accounting policies to be adopted in the audited financial statements of the Group for the year ended 31 March 2011.