



IMMUNODIAGNOSTIC SYSTEMS HOLDINGS PLC
Annual Report & Accounts
Year ended 31 March 2006



Specialists in Immunoassay

Creating tools to aid diagnosis
and monitor responses to therapy

➤ IDS enhances its direct sales and marketing activities and maintains its reputation as a globally recognised innovator of 'In Vitro' diagnostics

Immunodiagnostic Systems Holdings plc is a dynamic SME, dedicated to the development and provision of innovative assays for use in clinical and research laboratories worldwide.

The Company is focused on sustaining its position as a fully integrated In Vitro Diagnostics business, building and manufacturing capability in de novo product design, development, manufacture and global marketing.

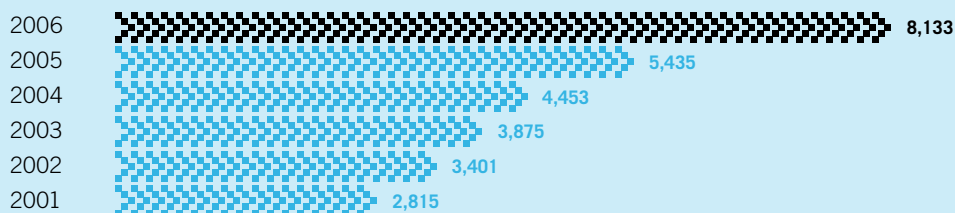
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Highlights of 2005/2006

- Actual performance exceeds broker forecast – 50% growth
- IDS Inc has annual sales greater than \$2.5m
- Establishment of IDS Eurl (Paris – France)
- IDS announces a major Distribution Agreement with MBL, Nagoya, Japan
- IDS transfers manufacture of products acquired from the acquisition of Suomen Bioanalytikka Oy (SBA) to its UK facility
- IDS wins the Queen’s Award for Enterprise: International Trade 2006
- IDS launches LR-IGF-1 ELISA
- The IDS EIA kit for 1,25 Dihydroxy Vitamin D receives US FDA 510(k) clearance
- IDS share price more than doubles its price from date of flotation
- IDS announces its maiden dividend

Turnover £'000 (to 31 March)



Company Overview



Strong Product Pipeline

The IDS product pipeline has never been as full, with a number of new product launches to be made within the new year. IDS look to enhance its reputation as a global leader in bone formation, bone resorption and calcitropic hormone assays.

Understanding IDS

1 PRODUCT PIPELINE

From its establishment in 1977, simply as a distributor of diagnostic products, IDS has become an integrated diagnostics company with full product development, manufacturing, product support and distribution. With direct sales and marketing presence in the UK, USA, Germany, France and a research and development facility in Finland, the Company is truly acknowledged as having a globally recognised brand.

The Company continues to be recognised for its range of bone and growth related products, and is uniquely placed to offer a wide range of internally manufactured products, in monitoring response to therapy and studying the fundamental mechanisms of growth and bone disorders.

The flagship products of the Company continue to be kits for the determination of Vitamin D in human serum, an important marker in the control and disposition of the body's calcium reserves. Calcium is vital in the development of healthy bones and teeth in the young, in the retention of calcium in the institutionalised and the elderly, and those with inadequate exposure to sunlight. Vitamin D, the "sunshine vitamin" formed in the skin in response to ultra-violet light, is essential in calcium regulation.

IDS' product pipeline is focused on building on the existing bone and skeletal growth factor assay portfolio, as well as entering into the fields of oncology and metastasis to bone.

Products to be released in the near future will be complementary to currently marketed products, further reinforcing our position as a global leader in the bone disease and growth factor diagnostic markets.

Company Overview

➤ **£811k**

Our spending in R&D to 31 March 2006 rose by 16% which is in line with management expectations.

➤ **35,000 units**

35,000 units were shipped from IDS' manufacturing base in the UK, this represents a 17% increase on the prior year.

➤ **Multi-partner collaboration**

Sales through the IDS distribution network represents circa 25% of total Group sales. IDS reach every continent with tailored, targeted communications. Multi-lingual strategies in over 10 languages ensure IDS are able to think globally and act locally.

2 RESEARCH & DEVELOPMENT

3 MANUFACTURE

4 GLOBAL MARKETING

Future strategy

The Group continues to develop its strategy based upon increasing the range and novelty of new products to be introduced, whilst enhancing the ability to reach an expanding international research and clinical market by the further development of the IDS Sales and Marketing organisation.

The three-pronged strategy comprises:

- New product development *de novo* at IDS and the SBA subsidiary, complemented by product and/or technology in-licensing or product distribution as appropriate.
- Investment in IDS' direct sales operations in the USA, Germany, France, and the UK to realise growth potential, and in further development of the IDS distributor network for the Rest of World sales
- Acquisition of complementary product ranges, enabling technologies or companies, as an attractive means of amplifying the organic growth and further fuelling the Sales and Marketing operations of the Group.

The Directors believe that each of these individual stratagems has the potential to grow the Company and generate revenues, and that collectively they will add significant shareholder value. Going forward, royalties generated from out-licensing of Vitamin D technology will also contribute.

Our Products and Target Markets

Market potential – USA

\$7.9bn

Market potential – UK

£400m

Actual performance exceeds broker forecast – 50% growth

IDS Inc has annual sales greater than \$2.5m

2 Fountain Hills, AZ

Our Global Presence

IDS reaches every continent with tailored, targeted communications. Multi-lingual strategies in over 10 languages ensure IDS is able to think globally and act locally.

Newcastle 1
Paris 4
Frankfurt 3

Our Products and Target Markets

Market potential – France

€1.2bn

Market potential – Germany

€2bn

Establishment of IDS Eurl
(Paris – France)

IDS announces a major Distribution
Agreement with MBL, Nagoya, Japan

Market analysis

IDS operates in the immunoassay segment of the in vitro diagnostics (IVD) market. In vitro diagnostics is defined as the study and analysis of body fluids and tissues for the detection and monitoring of disease. In 2002, the global IVD market was valued at approximately \$22bn, with the immunoassay sector of this market worth approximately \$10bn.

Immunoassay is a fundamental technique employing antibodies to create assays for biomarkers in human and animal tissues, most commonly serum or plasma. The sensitivity of immunoassay permits the detection and quantification of very small quantities (e.g. 1x10⁻¹² gram) of biomarkers in small sample volumes. The high sensitivity achieved by immunoassays has resulted in the technology becoming a fundamental technique widely used in the clinical diagnosis of disease and in biomedical research.

The clinical IVD market is dominated by a small number of large, multi-national companies, with over 80% of the market revenues flowing to the top ten IVD companies (including Roche, Abbott and Johnson & Johnson). The US is the largest individual geographic territory by market value, followed by Europe and then Japan. The clinical IVD market is high volume but low

margin, with the large players selling fully automated, push-button immunoassay systems delivering results very similar to their competitors. The current market addresses only a limited number of clinically proven analytes. However, advances in genomics and proteomics have improved the knowledge of the biology of healthy and diseased states, and provided the potential for the discovery of a wealth of new diagnostic markers. Development of immunoassays against novel diagnostic markers has the potential to change the dynamics of the industry with the launch of differentiated higher margin immunoassays. The highly competitive nature of the market and the need for differentiated immunoassays has resulted in an increased willingness on the part of the larger companies to in-license new technologies and biomarkers in an effort to cost-effectively gain market advantage. This provides an opportunity for smaller, innovative companies such as IDS to generate substantial value from the development and out-licensing of novel technologies and immunoassays.

In addition to the mainstream clinical IVD market is a substantial (approximately \$2bn) Research Use Only (RUO) market, comprising those laboratories working in drug discovery, clinical trials and academic research. The RUO market is essentially unregulated compared with the clinical IVD market (regulated in individual geographic territories by the FDA in the US, MHW in Japan, and IVDD in Europe). This makes RUO assay development considerably quicker and less onerous with the key criteria for the launch of a successful assay being the customers' view of the quality of the assay. This also results in the market being less price sensitive making the RUO assay market low volume/high margin. The RUO market is also considerably more fragmented, made up of a large number of players with different areas of strength. Companies selling immunoassays into the RUO market have the potential to expand the market for their tests where clinical applicability can be demonstrated and regulatory approval gained. Where appropriate these assays can then be licensed to the major clinical IVD players to optimise market penetration.

Non-Executive Chairman's Statement



David Evans Non-Executive Chairman

Dear Shareholder

I have pleasure in reporting Immunodiagnostic Systems Holdings plc's annual results for the year to 31 March 2006.

The year has been one of progress commercially, scientifically and financially.

Commercial Progress

In the year, the Group has expanded its direct distribution activity with the establishment of its subsidiary in France in October and this has also seen the first full year of trading with its German subsidiary. Together with our direct presence in the UK and the USA, this offers not only significant margin leverage on the Group's own products but also a conduit to market for other companies who can, in partnership with IDS, benefit from our skills and presence in these key markets.

As well as the strengths of our direct distribution we have an established network of distributors and significant effort has gone into the management of these. This effort has been rewarded by the increased level of sales from the network in the period.

The year just passed was the first full year of the SBA products with manufacturing being transferred to Boldon in early 2006. These products have broadened the Group's portfolio and in particular we have seen significant growth in the USA through the use of the diagnostics in major pharmaceutical clinical trials. The ultimate key to growth in these products is their acceptance in the clinical as well as the research markets.

Scientific Progress

As well as continued investment into the Group's key products to ensure they maintain their competitive advantage, the Group has continued to invest in embryonic opportunities where it may gain an early advantage.

The Group has been successful in retaining its Finnish base of expertise resulting from the acquisition of SBA, helped hugely by the support of the Finnish government which has a more pro-active approach to investment in this area compared to our domestic counterparts. In January of this year we were awarded a Tekes grant amounting to 35% of qualifying expenditure.

The Group continues to invest in partnership with others in the adaptation of our tests onto dedicated instrument platforms. Ultimately the Group will require its own instrumentation, albeit based on a standard platform, to be able to maintain its competitive advantage.

There has been little progress to report in the year on the Group's spin-out companies of PalindromX, Pyrronostics and Perinatal Diagnostics but it is anticipated that progress will be made this coming year and will be reported on in due course.

The key management challenge over the next year is to increase the level of productivity from Research & Development (R&D) whilst at the same time seek out and invest in new long term opportunities which are aligned with our core objective of growth in shareholder and stakeholder value.

Financial Progress

Turnover

Turnover increased by 49.7% to £8,133,000 (2005: £5,435,000) with the Group benefiting from growth in all the key markets, also reflecting significant growth in the USA, a full year's contribution from Germany and a partial contribution from France as well as growth in our domestic and export markets

Chairman's Statement

£8.133m

Turnover increased by 49.7% to £8,133,000 (2005 £5,435,000) with the Group benefiting from growth in all the key markets

£1.174m

The profit before tax for the year was £1,174,000 (2005: £270,000)

Gross Margin

Our gross margin increased to 64.52% (gross profit £5,247,000) from 62.41% in 2005 (gross profit £3,392,000). This increase reflects the change in the products mix within our business, with sales of IDS manufactured products, up by 71% and sales in distribution of third party products up by 11% compared to last year.

Operating Costs and Profits

Total overheads increased during the year to £3,993,000 (2005: £3,066,000) an increase of 30.2% reflecting the increase in distribution costs in the period emanating from the establishment of the subsidiaries in Europe as well as increased overall activity.

Within that increase of £927,000 a sum of £114,000 is attributable to increased R&D spend, as spending increased to £811,000 (2005: £697,000).

The charge for depreciation and amortisation of intangibles, including goodwill, was £291,000 compared to £226,000 in 2005.

EBITDA

The Group reports an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) from £512,000 in 2005 to £1,533,000.

Interest

Net interest payable for the year was £69,000 (2005: £16,000) reflecting in the main the loan interest in relation to the SBA acquisition.

Profit before Tax

The profit before tax for the year was £1,174,000 (2005: £270,000)

Taxation

The charge to taxation was £257,000 (2005: £58,000) giving rise to a profit after taxation of £917,000 (2005: profit £212,000).

Dividend

The Board is recommending payment of a dividend for the year of 1p per share.

Profit after Tax

The Group's Profit after Tax for the year was £917,000 (2005: £212,000).

Board and Management

During the year the Group appointed Dr Phillip Lee as Chief Scientific Officer with Dr Lee relocating to Boldon from Los Angeles. Unfortunately for both parties this appointment did not work out and it was in May, by mutual consent, that Dr Lee left the Company on contractually agreed terms.

The Board is actively seeking a replacement to Dr Lee and a firm of recruitment agents has been appointed to assist the process.

Outlook

The Board is expecting further growth to be achieved in the forthcoming year through further direct distribution and in June the Board agreed to pilot an approach into Austria building on our existing logistical capabilities and base in Germany. Further expansion will depend upon the outcome of this approach.

The Group exists in a competitive environment and a changing technological landscape and it will continue to defend its existing positions with improved versions of its existing products as well as seeking collaborations to place its flagship products on automated instruments.

The Group continues to evaluate acquisition opportunities where the target can offer significant strategic advantage in expansion of our portfolio, or access to markets that we are unable to serve, or in niche products/technology where the strength of the IP offers long term and secure cashflow growth.


The Group's trading since the year end has been in line with management expectations and I hope to update you further on this progress throughout the year.

David Evans
Non-Executive Chairman
29 June 2006

Managing Director's Review



Roger Duggan Managing Director

 IDS transfers manufacture of products acquired from the acquisition of Suomen Bioanalytikka Oy (SBA) to its UK facility

The Financial Year to 31 March 2006 has been one of both consolidation and unprecedented growth at IDS – a very busy but exciting and satisfying year.

The three-pronged strategy we set out upon just three years ago has stood us in good stead, and is delivering the performance we deemed then to be appropriate for a SME achieving flotation on AIM and seeking to reward the trust of investors.

In brief, these are:

- driving geographic market growth, increasing direct sales and those achieved through our distributor network;
- accelerating new product development; and
- growth by acquisition, of products and/or companies.

Growth has been delivered by all sales operations of IDS, from IDS Limited (Boldon, UK), IDS Inc (Fountain Hills, Phoenix, AZ), IDS GmbH (Frankfurt) and by the enhanced activity of our Distributors throughout the world.

Our subsidiaries in the USA and Germany have each put in a solid year's performance, focusing on marketing and sales activities tailored to the different but specific needs of these territories. The USA saw growth of 159% (from c. \$1.1m to \$2.8m) and Germany grew 863% (from c. €170k to €1,600k). The appointment of an experienced Sales Manager in the USA brings us further strength and depth in the field of In Vitro Diagnostics (IVD), and a particular expertise in the automation of our products for the larger laboratories. This bodes well for performance in the current financial year, and adds significantly to the marketability of our products.

With the establishment of IDS Eurl in October 2005, we extended further our ability to sell direct into the major global markets, providing for maximum margin on sales to the benefit of 'the bottom line'.

Whilst still in its infancy, IDS Eurl has made an impressive start, with FY05/06 sales of c. €350,000. The addition in May to the Paris office of an experienced National Sales Manager from Nichols Institute Diagnostics (NID), until recently a major competitor, adds many years of knowledge of the French bone & skeletal IVD market. We anticipate sustained growth going forward.

Our award-winning Vitamin D immunoassays remain at the heart of our sales success, but there is a growing contribution from complementary products issuing from our own pipeline, and those that came with the acquisition of SBA Sciences, Finland, in March 2005.

We maintain our technological advantage in Vitamin D measurement, conferred in part by the IDS Immunocapsule out-performing competing methods in efficiency and simplicity of use, and in part by the quality and full range of Vitamin D products offered. These products meet the needs of large and small laboratories alike.

Key to the dramatic growth in the UK, our most mature market (up 46% from c. £2.4m to £3.5m), has been our approach to automation for high throughput laboratories. This has been achieved by adapting our products to run reliably on 'open-system' automated microtitre ELISA platforms which are now widely available. The timing of the introduction of such automation was critical in gaining market share, coinciding with the withdrawal of NID from the global market following a strategic decision by parent company Quest International to cease NID operations. We will be rolling-out this automation initiative throughout the IDS Group, and also guide and support our distributors in their efforts to secure the larger, automated accounts.

Managing Director's Review

➤ **159%**

The USA saw growth of 159%
(from c. \$1.1m to \$2.8m)

➤ **863%**

Germany grew 863%
(from c. €170k to €1,600k).



IDS wins the Queen's Award for
Enterprise: International Trade 2006



IDS launches LR-IGF-1 ELISA

The standing of IDS Vitamin D technology within the IVD industry is widely recognised, resulting in discussion with, or having agreed licensing terms with, a number of the 'Top Ten' global IVD companies. IDS technology will therefore appear on the fully-automated instruments of such companies in forthcoming years, with a concomitant royalty stream receivable by IDS.

New Product Development goes on apace at IDS Boldon, and at SBA Sciences in Oulu, Finland. We have made the strategic decision to maintain SBA as an additional R&D centre, sitting as it does close to the Finnish universities of Oulu and Turku. Historically, Finnish scientists have been at the forefront of discovery in the biology and chemistry of cartilage, bone and connective tissues, and the diseases associated with these tissues, and we will now work closely with such scientists as we go forward in biomarker discovery and exploitation. Such is the quality of the research underway at SBA, that the company has been awarded a TEKES (the Finnish Funding Agency for Technology and Innovation) grant in support of its R&D activities.

The result is that the IDS 'pipeline' has never been fuller, and we look forward to launching new products on a more regular basis. Much of this preparation has been the result of the positive input of our Chief Scientific Officer, Dr Phil Lee. Unfortunately, Dr Lee, a medical physician of US-origin, has left the Company after a relatively short tenure to pursue an alternative career path, and we are consequently in the process of seeking a replacement senior scientist to take up the numerous technical and technological challenges ahead. I have no doubt that we will maintain our creative momentum, with the delivery to market of innovative products to feed the voracious sales appetite we have created.

Following our acquisition of SBA Sciences in February 2005, FY 2005/6 saw the transfer of the manufacture of the SBA 'TRAP' range of kits from Finland (RatTrap™ & MouseTRAP™) and Germany (human BoneTRAP®) to our Boldon facility, which will significantly increase the profitability of these high-demand products.

In Boldon we also addressed the logistical aspects of successful growth, with the installation and commissioning of further 'state of the art' automation in the form of a high-throughput microtitre plate processor and a second custom-built immunocapsule filler/capper. We have been very happy with our ability to meet the increased demand arising from our 49% growth, and will continue to upgrade our core tech, assay development and manufacturing facilities to maintain quality.

We were delighted to receive notification of the receipt of the Queen's Award for Enterprise: International Trade 2006, our second such award since 1999. This is particularly gratifying in that it provides an excellent opportunity to recognise publicly, and to celebrate enthusiastically, the contributions of every member of staff throughout the Company and its subsidiaries, to the achievement of this accolade – truly a team effort, sustained as it has been over many years.

We have recently concluded a Marketing and Sales agreement with Medical & Biological Laboratories Co Ltd of Nagoya, Japan (MBL), which will see the early introduction into the Japanese market of IDS research-orientated products and, in the fullness of time, the launch of the more heavily-regulated diagnostic IVD products. We are fortunate to have found a marketing partner of the calibre of MBL, and must thank our long-standing Japanese business development partner, Summit Pharmaceuticals International Corporation of Tokyo, for their excellent work on our behalf.


This has been an excellent year for all IDS stakeholders, with more ambitious expectations still to be met. Whilst consolidating our strong organic growth and first acquisition, we have been busy qualifying more potential opportunities. Our progress is such that we believe that we will add further to the achievements of the Company, with 'the plethora of opportunities' I spoke of last year seemingly undiminished.

Roger Duggan
Managing Director
29 June 2006

Financial Review



Paul Hailes Finance Director

 The IDS EIA kit for 1,25 Dihydroxy Vitamin D receives US FDA 510(k) clearance

Following our successful flotation of the company on the Alternative Investment Market (AIM) in December 2004 we have used the additional cash generated to significantly accelerate the growth of the Company.

Turnover

Turnover increased by 49.7% to £8,133,000 (2005: £5,435,000). Direct sales into the USA, Germany, France and the revitalisation of our domestic market contributed greatly to this year's growth.

Gross Margin

Our gross margin increased to 64.52% (gross profit £5,247,000) from 62.41% in 2005 (gross profit £3,392,000). This increase reflects the change in the product mix within our business with sales of IDS manufactured products up by 71% and sales in distribution of third party products up by 11% compared to last year.

Operating Costs and Profits

We continue to invest in R&D and our spend in 2006 increased in line with expectations, to £811,000 from £697,000 – an increase of 16.4%. We expect this level of R&D expenditure to increase slightly throughout 2007 as we look to bring additional new products to market.

Distribution and Administrative expenses increased by £927,000 to £3,993,000 compared to £3,066,000 in 2005. This increase was expected due to the creation of our French subsidiary and the growth of both our USA and German based subsidiaries. The charge for depreciation and amortisation of intangibles, including goodwill, was £291,000 compared to £226,000 in 2005.

EBITDA

The Group reports an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) from £512,000 in 2005 to £1,533,000.

Turnover by Product Area

Year ending 31 March:	2006 £'000	2005 £'000	Change %
Vitamin D	4,059	2,756	47.28
Octeia	535	351	52.42
SBA - Trap	846	59	1,333.90
Gamma B	228	228	0.00
Other	318	104	205.77
Total of IDS Products	5,986	3,498	71.13
Distribution of third party sales	2,147	1,937	10.84
Total Turnover	8,133	5,435	49.64

Financial Review

→ **£8.133m**

Turnover increased by 49.7% to £8,133,000 (2005 £5,435,000).

→ **64.52%**

Our gross margin increased to 64.52% (gross profit £5,247,000) from 62.41% in 2005 (gross profit £3,392,000).

→ IDS share price more than doubles its price from date of flotation

→ IDS announces its maiden dividend

Cash Flow

The Company's continued improvement at generating cash has once again provided resource to help grow the business:

Net cash flow from operating activities was	1,216,000
Net of investments and servicing finance	(69,000)
Taxation	(128,000)
Capital expenditure etc.	(291,000)
Financing	(287,000)

This has led to an increase in cash of £441,000 and a net cash position of £885,000 as at 31 March 2006.

Dividend Policy and Dividend

The Board is proposing an annual dividend for the year of 1p (2005: Nil). This payment is covered 7 times. Subject to the approval of shareholders in the Annual General Meeting, the dividend per share will be paid on 25 September 2006 to shareholders on the register at the close of business on 25 August 2006.

Balance Sheet

The Group's fixed assets at 31 March 2006 were £1,842,000 (2005: £1,684,000), which consisted of tangible assets of £746,000, intangible assets of £1,094,000 and investments of £2,000. The intangible assets principally relate to the patents and goodwill acquired on acquisitions.

Stocks have increased to £805,000 (2005: £763,000) and debtors have increased to £1,563,000 (2005: £1,271,000) while current creditors have increased to £1,645,000 (2005: £1,508,000). Creditors due after one year have decreased to £441,000 (2005: £582,000).

Financial Instruments

This report shows the Group has had a very good year with record sales and profitability, a major contributor to this success has been the increase in both the number of orders received and the number of active customers that purchase products. As we develop and introduce new products we expect this growth to continue.

There are of course always risks associated with a business and as the in-vitro diagnostic market develops there is the possibility that increasing competition from larger companies with greater financial and other resources than those directly available to the Group will appear. The Directors are aware of this and are looking to work closely with these larger companies in an attempt to make them customers for the Group's products rather than direct competitors.

Our progress on our strategic objectives is monitored by the Board of Directors by reference to 6 key performance indicators applied on a Group-wide basis. The Group's performance for 2006 and 2005 is shown in the table below:

Financial KPI	2006	2005	Variance
Annual increase in sales:	50%	22%	28%
Number of net invoices issued	7,157	4,491	2,666
Gross margin	64.5%	62.4%	2.1%
Profit after tax	11.3%	3.9%	7.4%
Earnings per share	6.871p	2.611p	4.26p
ROCE*	40.9%	15.3%	25.6%

*ROCE being profit after tax as a % of shareholders funds.

Paul Hailes

Finance Director

29 June 2006

Board of Directors, Senior Management and Advisers



Board of Directors

1: David Evans BCom., C., MBA (aged 45)
Non-Executive Chairman

David has considerable expertise within the diagnostic industry. As financial director he was a key member of the team that floated Shield Diagnostics Group plc in 1993 and was chief executive officer responsible for the merger of Shield Diagnostics Group plc with Axis Biochemicals ASA of Norway in 1999 to create Axis-Shield plc. He is currently involved in a non-executive capacity with several other companies.

2: Roger Duggan PhD (aged 57)
Managing Director

Roger joined RIA (UK), the forerunner of IDS in 1981. Within IDS, he has held the positions of development scientist, laboratory manager, and scientific director, becoming managing director following the management buy-out in 1996. Roger also sits on the boards of PeriNatal Diagnostics Limited, PalindromX Limited, Pyrronostics Limited, Briefvision Limited, Phabia Limited and IDS Inc.

3: Paul Hailes FCCA (aged 43)
Finance Director

Paul gained experience with Bowater plc and Courtaulds plc before joining IDS in February 1993. Paul is also a Director and/or Company Secretary in PeriNatal Diagnostics Limited, PalindromX Limited, Pyrronostics Limited, Briefvision Limited and Phabia Limited.

4: William "Will" Dracup (aged 41)
Non-Executive Director

Will founded Nonlinear Dynamics Limited in 1989. An Economics graduate and software engineer, Will became interested in the analysis of protein separations after working for a life science imaging company, Joyce-Loebl Limited. Deciding that the available technology was inadequate, Will went on to develop software that has since become the industry standard in its field. Nonlinear Dynamics Limited grew throughout the 1990's, and Will has overseen the successful diversification of the company into the US and Asia Pacific markets, with the company's product line growing into a wide range of application areas within life sciences.

5: Edward "Eddie" Blair PhD (aged 46)
Non-Executive Director

Following a research career in virology at the MRC National Institute for Medical Research (Mill Hill, London) and University of California (Irvine C., US), Eddie spent 15 years in the pharmaceutical industry and held the positions of programme leader in virology then later clinical therapeutic adviser to the Predictive Medicine Group, at GlaxoWellcome, before becoming a director of clinical diagnostics at GlaxoSmithKline plc. He is currently a director of Integrated Medicines Limited.

Board of Directors, Senior Management and Advisers

**Senior Management****6: Anthony "Tony" Wilks (aged 45)**

[Managing Director IDS, GmbH and Sales and Marketing Director, IDS Ltd](#)

Living for more than 20 years in Germany and with 18 years experience in European sales and marketing of diagnostic products, Tony brings a wealth of experience in international sales to IDS. Tony recently joined IDS from Nichols Institute Diagnostics GmbH, a wholly-owned subsidiary of Quest Diagnostics, the US Parent where he acted as Managing Director of European Operations. Tony had been with Nichols Institute since 1997. In 1990 Tony started Tosoh Medics GmbH in Germany and successfully established Tosoh as a major diagnostic company in immunoassay automation. Prior to this Tony was Product Manager for Oxford Medical Systems GmbH, responsible for cardiovascular system, marketing and distribution sales.

7: Kenneth Gibbs (aged 61)

[CEO and Managing Director, IDS Inc](#)

Kenneth is a senior executive with more than 30 years professional experience in pharmaceutical, in vitro diagnostic and medical device marketing, sales, reimbursement, business development, and management. He has US and international experience with large multi-national corporations as well as emerging technology and start-up entrepreneurial companies. From 1994 until joining IDS in January 2003, he was employed by Metra Biosystems Inc and later retained as marketing consultant, by Quidel Corporation, a major competitor to IDS in bone and skeletal diagnostics, following Quidel's acquisition of Metra Biosystems Inc.

Auditors

[Baker Tilly](#)

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Directors' Report

The Directors submit their report and audited financial statements of the Company and of the Group for the year ended 31 March 2006.

Principal Activities

The principal activity of the Group during the year under review was that of manufacturing and distributing medical diagnostic products. The Group is also actively involved in research and development projects.

Review Of The Business And Future Developments

These are dealt with in the Chairman's Statement, the Financial Review and the Managing Directors Review.

Results And Dividend

The Group's trading profit for the year is £917,000. The Directors have recommended a dividend of 1p per ordinary share.

Research And Development

Research and development projects continue to concentrate in areas of bone and growth and the group have increased the number of employees working within this area.

The Directors And Their Interests In The Shares Of The Company

The Directors who served the Company during the year together with their beneficial interests in the shares of the Company were as follows:

	Position	Class of share	At 31 March 2006 No.	At 31 March 2005 No.
Dr R T Duggan	Managing Director / Chief Exec	£0.02 Ordinary shares	2,393,860	2,393,860
Mr P Hailes	Finance Director	£0.02 Ordinary shares	1,418,210	1,418,210
Dr P Lee	Scientific Director	£0.02 Ordinary shares	–	–
Mr D E Evans	Non-Executive Chairman	£0.02 Ordinary shares	343,127	343,127
Mr W Dracup	Non-Executive Director	£0.02 Ordinary shares	–	–
Dr E D Blair	Non-Executive Director	£0.02 Ordinary shares	–	–

Dr P Lee Appointed 26 September 2005; resigned 12 May 2006.

The Executive Directors and the Chairman have options granted to them under share option schemes; details are included within Note 35 of the attached financial statements.

Substantial Shareholdings

The Directors have been notified or are aware that the following are interested in 3% or more of the issued ordinary share capital of the Company as at 26th June 2006.

	Number of ordinary shares of 2p each	Percentage of issued share capital
3i plc	2,506,862	18.79%
Dr R T Duggan	2,393,860	17.94%
Mr P Hailes	1,369,200	10.26%
Mr D Laurie	1,369,200	10.26%
New Star Asset Management	1,163,000	8.72%
Mr J Stoker	983,300	7.37%
Mr P Puntin	406,300	3.04%

Policy on the Payment of Creditors

It is the Company's policy to ensure all creditors are paid in full within the agreed terms of business. Trade creditors of the Company at 31 March 2006 were equivalent to 27 days purchases, based on the average daily amount invoiced by suppliers to the Group during the year.

Disabled Persons Policy

The Company and the Group recognise and accept its responsibility to ensure that full and fair consideration is given to the employment of disabled persons. Where an individual's abilities and aptitude are recognised as suitable, appropriate training will be arranged to develop the skills of the individual and further their career within the Company and the Group.

Directors' Report

Employee Involvement

An open forum within the Company and the Group is encouraged where staff may come forward with ideas, concerns and suggestions and where the Company and the Group can discuss matters concerning employees.

The Company has been credited with the Investors in People award.

Environmental Policy

Our environmental policy is summarised as follows:

The Groups main objective is to provide customers with product that meets their requirements with respect to fitness for use, reliability, delivery and value for money and ensuring that we comply with the pertinent regulatory standards associated with our industry.

In particular:-

- The Group is committed to the development and sustainability of its business, whilst minimising any adverse impact on the environment caused by its operations.
- The Group will promote good practices to ensure that the organisation will comply with all regulatory and legislative requirements and at the same time look to continually improve on how we can reduce any adverse impact on the environment.
- The Group will continue to motivate staff to be environmentally aware

The Group's main operation is within the in vitro diagnostic (IVD) testing industry supplying test kits to hospital and research laboratories. Most of our tests are carried out on blood or urine samples and are based upon immunoassays, involving an antibody-antigen reaction and use antibodies and other well established common reagents that can be readily acquired. Materials are sourced from the highest quality manufacturers 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 which is collected and disposed of by specialist contractors.

We have a recognised Health and Safety Officer who undertakes regular audits of our compliance and chairs a health and safety committee who meet regularly throughout the year. We also produce products to the highest levels of Good Manufacturing Practice (GMP) as demanded by the FDA and European IVD Directive.

Impact of Euro

The Company recognises that to be competitive within the Euro-zone it must be able to offer for sale products priced in euro as well as sterling. Where possible the Company looks to off-set foreign currency liabilities.

Charitable Contributions

Contributions to charitable organisations amounted to £8,413 (2005 - £459), and can be analysed as follows:

Gift of products to colleges and universities	£7,295
Other	£1,118

Financial Instruments

As sales through our 100% owned subsidiary companies continue to positively impact on turnover, profitability and cash flow we continue to monitor and manage our exposure to external pressures that may effect our performance by monitoring our customer and key supplier contracts, as well as looking to off-set any exchange risk through matching liabilities with corresponding assets. Pricing and credit issues do not appear to be an issue as the majority of sales income is generated through wholly owned subsidiaries who deal directly with end users and are able to maintain very good relationships with respect to pricing and credit control. Note 36 gives information on foreign currency exposures.

Related Party Transactions

Transactions occurring with associated undertakings are detailed in Note 26 of the financial statements.

Annual General Meeting

The Company's Annual General Meeting will be held on Tuesday 22nd August 2006 at 11:00am at 10 Didcot Way, Boldon Business Park, Boldon, Tyne and Wear, NE35 9PD.

Auditors

A resolution to re-appoint Baker Tilly as auditors for the ensuing year will be proposed at the Annual General Meeting.

Statement as to Disclosure of Information to Auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board

David Evans

Non-Executive Chairman

4 July 2006

Corporate Governance Report

The Combined Code is intended to promote the principles of openness, integrity and accountability. The Company fully supports these principles and although not required to do so, the directors have decided to provide Corporate Governance disclosures.

The Board formally adopted the principles of good governance set out in the Code. However, in view of the size and nature of the Group, the Directors have taken into consideration the Guidance for Smaller Quoted Companies on the Code, produced by the Quoted Companies Alliance. The Company's governance policies already in place matched closely the position set out in the Combined Code.

Narrative Statement

Directors

As at the Group's year end 31 March 2006, the Board comprised of three Executive Directors (one of whom has resigned since year end), a Non-Executive Chairman and two other Non-Executive Directors. Details of the current Directors are set out on page 12. The composition of the Board is designed to provide an appropriate balance of executive, financial, technical and commercial experiences and skills, and will be reviewed regularly. The Board looks to meet in a formal manner on a monthly basis at the head office in Newcastle upon Tyne, with additional meetings held as required.

Summary of board meetings attended in the 12 months to 31 March 2006.

Eleven board meetings were held in the year to 31 March 2006.

Director	Meetings attended
Dr Roger Duggan	11
Mr Paul Hailes	11
Mr David Evans	10
Dr Philip Lee	3 (of 4)
Mr William Dracup	9
Dr Eddie Blair	7

It is the responsibility of the Company Secretary to ensure that the Directors receive all of the information necessary for the effective performance of their duties. In the furtherance of their duties, the Directors have access to the advice and service of the Company Secretary and are permitted to take independent professional advice where necessary and to undertake any training considered appropriate, both at the company's expense.

The Chairman, David Evans, does not meet the independence criteria required by paragraph A.3.1 of the Combined Code on appointment. The Chairman also has six other non-executive directorships, details of which are shown below. The Chairman is responsible for the running of the board.

The Executive Directors were Paul Hailes, Phil Lee and Roger Duggan, who is also the Chief Executive. The Board considers William Dracup and Edward Blair to be independent.

The Board has overall responsibility for determining and directing the Group's corporate strategy. This is achieved through consideration and approval of the annual business plan and financial strategy and through the monitoring and discussion of financial results and corporate matters, including the exposure to key business risks and the results of individual trading subsidiaries, their annual budgets and financial strategy, at regular board meetings.

William Dracup has been identified as the Senior Independent Director as required by the Code.

Chairman's Commitments

The Chairman has the following non-executive directorships:

Omega Diagnostics Limited
 Storyland Group plc (succeeds Storyland Limited) as of October 2005
 BBI Holdings plc
 Microtest Matrices Limited
 Platform Diagnostics Limited – appointed 18 November 2004
 Chromogenex plc – appointed 16 May 2005
 Epistem Limited – appointed June 2005
 Physiomics plc – appointed August 2005

All other non-executive directorships were held throughout the year.

Corporate Governance Report

Board Committees

In addition to the audit committee (see below) the following board committees were established in December 2004 under specific terms of reference:

1. The Remuneration Committee

The Remuneration Committee comprises, William Dracup (Chairman), David Evans and Edward Blair. It reviews the performance of executive directors and sets the scale and structure of their remuneration and reviews the basis of their service agreements with due regard to the interests of shareholders. The Board itself determines the remuneration of the non-executive directors. The remuneration committee also makes recommendations to the Directors concerning the allocation of share options to employees. No Director is permitted to participate in discussions or decisions concerning his own remuneration. The details of Directors' remuneration are set out under Note 5 and share options under Note 35.

2. The Nominations Committee

The Nominations Committee comprises, David Evans (Chairman), William Dracup and Edward Blair. The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the Executive Directors and other Senior Executives in the Group and for the nomination of candidates to fill Board vacancies where required. The Committee will normally meet twice every year.

Relations with Shareholders

The Board recognises the importance of maintaining good communications with its shareholders. The Group engages a firm of financial PR consultants to provide another channel of communication to shareholders, potential investors and analysts.

Accountability And Audit

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Chairman's statement contains a detailed consideration of the Group's position and prospects.

Internal Controls

The Board has designed the Group's system 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 would 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 of or loss.

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The Audit Committee which was established on flotation has been delegated responsibility for conducting this review.

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 Board has not undertaken a formal review in the current period but shall do so in the next reporting period.

The system in place for financial reporting ensures the Board receives management accounts, forecast variance analysis and other ad hoc reports on a timely basis.

The Group has not implemented an internal audit function because the Directors believe that the controls in place are appropriate for the size and complexity of the Group's activities.

There are no significant issues disclosed in the report and financial statements for the year ended 31 March 2006 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues

Audit Committee

The Audit Committee is chaired by David Evans, a qualified chartered accountant, and the Board feels that this committee is independent, all members being Non-Executive Directors. The Audit Committee is responsible for the relationship with the Group's external auditors and the review of the Group's financial reporting and the Group's internal controls.

The Committee also comprises William Dracup and Edward Blair, both Independent Non-Executive Directors. The Committee will normally meet four 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 auditors and reviewing reports from the auditors. It meets with the auditors at least once a year.

Corporate Governance Report

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 auditors 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 auditors 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
- obtaining written confirmation from the auditors, 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 3 to the financial statements.

The Company is satisfied that the external auditors remain independent in the discharge of their audit responsibilities.

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.

Compliance Statement

The Board has reviewed compliance with the Combined Code.

Throughout the year ended 31st March 2006 the Group has substantially complied with the provisions set out in Section 1 of the Combined Code.

By order of the Board

Paul Hailes

Company Secretary

4 July 2006

Directors' Responsibilities in the Preparation of Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will be able to continue in business.

The Directors are also responsible for:

- a. keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985;
- b. safeguarding the assets of the Group and Company;
- c. taking reasonable steps for the prevention and detection of fraud and other irregularities;
- d. ensuring that the annual report is prepared in accordance with company law in the United Kingdom;
- e. ensuring that the annual report includes information required by the rules of the Alternative Investment Market of the London Stock Exchange.

The Directors' are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Immunodiagnostic Systems Holdings plc

We have audited the financial statements of Immunodiagnostic Systems Holdings plc for the period ended 31 March 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement the Managing Director's Review, the Financial Review, the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985;
- The information given in the Directors' Report is consistent with the financial statements.

Baker Tilly

Registered Auditor
Chartered Accountants
1 St James Gate
Newcastle upon Tyne
NE1 4AD

17 July 2006

Consolidated Profit and Loss Account

for the year ended 31 March 2006

	Notes	2006 £	2005 £
Turnover			
Continuing operations		7,892,066	5,434,645
Acquisitions in year		240,615	–
	2	8,132,681	5,434,645
Cost of sales		(2,885,293)	(2,043,024)
Gross profit		5,247,388	3,391,621
Distribution costs		(1,392,698)	(867,972)
Administrative expenses		(2,600,095)	(2,197,651)
Operating Profit			
Continuing operations		1,244,120	325,998
Acquisitions in year		10,475	–
		1,254,595	325,998
Exceptional item – diminution in value of goodwill in associate		–	(23,351)
Share of operating loss in associates		(11,657)	(16,297)
Total operating profit	3	1,242,938	286,350
Interest receivable		14,806	7,440
Share of interest receivable in associates		181	280
		1,257,925	294,070
Interest payable and similar charges	6	(83,758)	(23,956)
Profit On Ordinary Activities Before Taxation		1,174,167	270,114
Taxation	7	(257,247)	(57,831)
Profit On Ordinary Activities After Taxation		916,920	212,283
Earnings Per Share			
Basic and diluted	9	6.871p	2.611p

All transactions arise from continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 March 2006

	2006 £	2005 £
Profit for the financial year	916,920	212,283
Total recognised gains and losses relating to the year	916,920	212,283
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(9,606)	1,113
Total recognised gains and losses since the last financial statements	907,314	213,396

Consolidated Balance Sheet

31 March 2006

	Notes	2006 £	2005 £
Fixed Assets			
Intangible assets	10	1,093,719	1,065,355
Tangible assets	11	746,429	603,269
Investments	12	–	234
Investment in associates	12	1,769	15,286
		1,841,917	1,684,144
Current Assets			
Stocks	13	805,203	762,602
Debtors due within one year	14	1,562,693	1,271,256
Cash at bank and in hand	15	885,094	446,675
		3,252,990	2,480,533
Creditors			
Amounts falling due within one year	16	(1,663,737)	(1,508,285)
		1,589,253	972,248
Net Current Assets			
		3,431,170	2,656,392
Total Assets Less Current Liabilities			
Creditors			
Amounts falling due after more than one year	17	(440,984)	(581,601)
		2,990,186	2,074,791
Provisions for Liabilities and Charges			
Deferred Tax	21	58,852	–
Other provisions	22	27,020	271,272
Share of associates net liabilities	12	12,270	14,310
Deferred income	23	24,317	28,256
		2,867,727	1,760,953
Capital and Reserves			
Called up share capital	27	266,913	266,913
Share premium account	28	935,681	965,957
Other reserves	29	582,999	582,999
Profit and loss account	30	1,084,404	177,090
		2,869,997	1,992,959
Own shares	31	(2,270)	(232,006)
		2,867,727	1,760,953
Shareholders' Funds			
		2,867,727	1,760,953

Approved by the Board of Directors and authorised for issue on 4 July 2006 and are signed on its behalf by:



Mr D E Evans
Non-Executive Chairman



Mr P Hailes
Finance Director

Balance Sheet

31 March 2006

	Notes	2006 £	2005 £
Fixed Assets			
Investments	12	196,666	196,666
		196,666	196,666
Current Assets			
Debtors due within one year	14	1,056,683	970,074
Cash at bank and in hand	15	24,484	122,742
		1,081,167	1,092,816
Creditors			
Amounts falling due within one year	16	43,018	11,192
Net Current Assets			
		1,038,149	1,081,624
Total Assets Less Current Liabilities			
		1,234,815	1,278,290
Provisions For Liabilities And Charges			
	22	27,020	271,272
		1,207,795	1,007,018
Capital and Reserves			
Called up share capital	27	266,913	266,913
Share premium account	28	935,681	965,957
Profit and loss account	30	7,471	6,154
		1,210,065	1,239,024
Own shares	31	(2,270)	(232,006)
Shareholders' Funds			
	31	1,207,795	1,007,018

Approved by the Board of Directors and authorised for issue on 4 July 2006 and are signed on its behalf by:



Mr D E Evans
Non-Executive Chairman



Mr P Hailes
Finance Director

Consolidated Cash Flow Statement

for the year ended 31 March 2006

	Notes	2006 £	2005 £
Net cash flow from operating activities	32(a)	1,215,881	(248,230)
Returns on investments and servicing of finance	32(b)	(68,952)	(16,516)
Taxation	32(b)	(127,889)	(68,268)
Capital expenditure and financial investment	32(b)	(291,402)	(82,150)
Acquisitions	32(b)	–	(760,380)
		727,638	(1,175,544)
Cash Outflow Before Financing		727,638	(1,175,544)
Financing	32(b)	(286,655)	1,532,268
Increase in Cash in the Year	32(c)	440,983	356,724

Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)

for the year ended 31 March 2006

	Notes	2006 £	2005 £
Increase in cash in the year	32(c)	440,983	356,724
Net cash outflow/(inflow) from bank loans		195,385	(536,644)
Cash outflow/(inflow) in respect of hire purchase		60,994	40,580
Change in Net Debt Resulting from Cash Flows		697,362	(139,340)
New hire purchase		(170,423)	–
Movement in Net Funds/(Debt) in the year		526,939	(139,340)
Net (Debt)/funds at 1 April 2005	32(c)	(357,461)	(218,121)
Net Funds/(Debt) at 31 March 2006	32(c)	169,478	(357,461)

Notes to the Financial Statements

for the year ended 31 March 2006

1 Accounting Policies

A) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

B) Basis of Consolidation

The financial statements incorporates the financial statements of the Company and its subsidiary undertaking using the merger method of accounting and the subsidiary's subsidiary undertakings using the acquisition method of accounting and the subsidiary's share of the results and net assets of its associates. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written of on a straight line basis over its estimated economic life.

The results and cash flows relating to the business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

No profit and loss account is presented for Immunodiagnostic Systems Holdings Plc as provided by section 230(3) of the Companies Act 1985.

C) Accounting for Acquisitions and Disposals

The results of businesses acquired or disposed of are consolidated from or to the effective dates of acquisition or disposal. On the acquisition of subsidiary undertakings or businesses, the acquisition cost is allocated against the fair value of net assets acquired, after adjustments to bring accounting policies into line with those of the Group.

D) Associated Undertakings

In the consolidated accounts, shares in the subsidiary's associated undertakings are accounted for using the equity method. The financial information includes the appropriate proportion of the results and reserves of associated undertakings based on the associates' last accounts.

In the consolidated balance sheet the investments in associated undertakings are shown as follows:

Group's share of underlying net assets - under the heading 'Investment in associate'
Group's share of underlying net liabilities - under provisions and other charges as 'Share of associates' net liabilities'

Goodwill arising on the acquisition of an associate is capitalised as part of the carrying amounts in the consolidated balance sheet and amortised over its estimated useful life.

E) Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year in respect of goods sold and services rendered, exclusive of Value Added Tax. Where services are based on performance or specific deliverables the income is accounted for as the right to consideration for performance earned.

F) Research and Development

Expenditure on research and development incurred in the year is charged against profits.

G) Intangible Fixed Assets

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Purchased goodwill

Goodwill representing the excess of the purchase price compared with the fair value of the net assets acquired is capitalised and written off evenly over 10 years, as in the opinion of the directors this represents the period over which the goodwill is effective.

Patents/product technology - 20 years straight line

The TRAP patent has been recognised at fair value on acquisition of a sub-subsidiary. The amount capitalised is the consideration in excess of the book values of the assets and liabilities at the date of acquisition. The Directors consider 20 years as a reasonable period of estimated useful life.

H) Tangible Fixed Assets

All tangible fixed assets are initially recorded at cost.

Notes to the Financial Statements for the year ended 31 March 2006

I) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	–	over the life of the lease
Plant & Machinery	–	over 7 years
Fixtures & Fittings	–	over 5 years
Motor Vehicles	–	over 4 years

J) Investments

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

K) Stocks and Work in Progress

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less estimated cost of disposal.

Work in progress is valued on the basis of direct costs plus attributable overheads based on 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) Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

M) Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

N) Pension Costs

The subsidiary operates a defined contribution pension scheme for employees. 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.

O) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

P) Foreign Currencies

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. Assets, liabilities, and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

Q) Employee Benefit Trust

Assets held in the Employee Benefit Trust are recognised in the financial statements of the Group until they vest unconditionally in identified beneficiaries.

The consideration paid for the company's own shares is deducted in arriving at shareholders funds, where the shares have not vested unconditionally in the employees. When unconditional awards are made to employees the cost recognised is the fair value of the shares at the date of the award, which is spread over the period to which the employee's performance relates, in accordance with UITF 17 and 38.

R) Deferred Income - Government Grants

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

Revenue grants are credited to the profit and loss account in the period in which they are received.

Notes to the Financial Statements for the year ended 31 March 2006

S) Finance Costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

2 Turnover and Segmental Information

An analysis of turnover by destination is given below:

	2006 £	2005 £
United Kingdom	2,146,716	1,845,805
Overseas	5,985,965	3,588,840
	8,132,681	5,434,645

Overseas can be further analysed as follows:

	£'000	£'000
Europe	3,555	2,433
USA	1,521	583
Japan	394	230
Other	516	343
	5,986	3,589

Turnover and profit before tax, relate principally to the main activity of the manufacturing and distributing of medical diagnostic products, and attributable to the continuing operations of the Group.

Geographical analysis of turnover by origin:

	Total sales £'000	2006 Intra group £'000	Third party £'000	Total sales £'000	2005 Intra group £'000	Third party £'000
UK	7,220	(2,127)	5,093	4,922	(250)	4,672
Europe	1,852	(333)	1,519	221	(41)	180
USA	1,521	–	1,521	588	(5)	583
	10,593	(2,460)	8,133	5,731	(296)	5,435

Geographical analysis of profit before tax geographical analysis by origin:

	Group	
	2006 £'000	2005 £'000
UK	1,058	412
Europe	(60)	(83)
USA	257	(3)
Operating profit	1,255	326
Exceptional items - associate	–	(23)
Share of operating loss in associates	(12)	(16)
Total operating profit	1,243	287
Exceptional item	–	–
Finance charges (net)	(69)	(17)
Profit on ordinary activities before tax	1,174	270

Notes to the Financial Statements for the year ended 31 March 2006

Geographical analysis of net assets/(liabilities) by origin:

	2006 £'000	Group 2005 £'000
UK	2,857	1,874
Europe	(70)	15
USA	81	(128)
	2,868	1,761

3 Operating Profit

Operating profit is stated after charging/(crediting):

	2006 £	2005 £
Amortisation of government grants re fixed assets	(3,939)	(3,939)
Amortisation of intangible fixed assets	129,990	101,828
Depreciation of owned fixed assets	140,782	111,021
Depreciation of assets held under hire purchase agreements	19,763	13,050
Profit on disposal of fixed assets	-	-
Operating lease costs:		
- Plant and equipment	6,492	10,727
- Vehicles	44,673	41,118
Net (gain) / loss on foreign currency translation	(69,009)	11,901
Research and development	810,543	696,673

Amounts payable to Baker Tilly and their associates in respect of both audit and non-audit services:

	2006 £	2005 £
Audit services		
- statutory audit*	52,500	25,000
Further assurance services	1,500	-
Tax services		
- compliance services	4,900	4,450
- advisory services	22,735	-
Other services	3,621	7,650
	85,256	37,100

*Includes amounts payable in respect of overseas subsidiaries of £14,000 (2005 - £nil).

4 Particulars of Employees

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

	2006 No.	2005 No.
Number of production staff	20	19
Number of distribution staff	20	14
Number of administrative staff	24	23
	64	56

The aggregate payroll costs of the above were:

	2006 £	2005 £
Wages and salaries	2,098,089	1,605,376
Social security costs	243,146	161,316
Other pension costs	59,559	56,463
	2,400,794	1,823,155

Notes to the Financial Statements for the year ended 31 March 2006

5 Directors' Emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	2006 £	2005 £
Emoluments receivable	569,185	61,879
Value of company pension contributions to money purchase schemes	8,557	2131
	577,742	64,010

Emoluments of highest paid Director:

	2006 £	2005 £
Total emoluments (excluding pension contributions)	285,397	27,372
Value of company pension contributions to money purchase schemes	4,698	1,175
	290,095	28,547

The number of Directors who accrued benefits under company pension schemes was as follows:

	2006 No.	2005 No.
Money purchase schemes	2	2

	Salary £	Bonuses £	Fees £	Benefits £	Total £
Dr R T Duggan	96,425	172,399	–	16,573	285,397
Mr P Hailes	78,662	101,000	–	6,941	186,603
Dr Philip Lee	51,154	–	–	1,031	52,185
Mr D E Evans (non-exec)	–	–	15,000	–	15,000
Mr W Dracup (non-exec)	–	–	15,000	–	15,000
Dr E D Blair (non-exec)	–	–	15,000	–	15,000
	226,241	273,399	45,000	24,545	569,185

The services of the Non-Executive Directors are provided by third parties as follows:

Mr D E Evans (Non-Exec)	MBA Consultancy, an unincorporated business where Mr D E Evans is sole proprietor
Mr W Dracup (Non-Exec)	Nonlinear Dynamics Limited, a company in which Mr W Dracup is a director and has a significant shareholding
Dr E D Blair (Non-Exec)	Integrated Medicines Limited, a company in which Dr E D Blair is a director and majority shareholder

The pro forma Directors' aggregate emoluments in respect of qualifying services for the year ended 31 March 2005, which represent the aggregate emoluments of the Directors of the Company where they were Directors of the underlying business, Immunodiagnostic Systems Limited, prior to appointment as Directors of the parent company, are as stated below:

	2006 £	2005 £
Emoluments receivable	569,185	254,464
Value of company pension contributions to money purchase schemes	8,557	8,380
	577,742	262,844

Notes to the Financial Statements for the year ended 31 March 2006

Emoluments of highest paid Director:

	2006 £	2005 £
Total emoluments (excluding pension contributions)	285,397	107,515
Value of company pension contributions to money purchase schemes	4,698	4,618
	290,095	112,133

6 Interest Payable and Similar Charges

	2006 £	2005 £
Interest payable on bank borrowing	39,213	20,519
Finance charges	5,803	2,600
Other similar charges payable	38,742	837
	83,758	23,956

7 Taxation on Ordinary Activities

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	170,439	49,503
Under provision in prior year	27,956	8,328
Total current tax	198,395	57,831
Deferred tax:		
Origination and reversal of timing differences		
Capital allowances	26,697	28,301
Other	32,155	(28,301)
Total deferred tax (Note 21)	58,852	–
Tax on profit on ordinary activities	257,247	57,831

Notes to the Financial Statements for the year ended 31 March 2006

(b) Factors affecting current tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £	2005 £
Profit on ordinary activities before taxation	1,174,167	270,114
Profit on ordinary activities by rate of tax 30% (2005 – 30%)	352,250	81,034
Expenses not deductible for tax purposes	79,122	58,644
Capital allowances in excess of depreciation	(19,136)	(4,877)
Income not taxable for tax purposes	–	(6,293)
Additional relief for R & D expenditure	(93,894)	(98,415)
Other timing differences	(6,375)	(2,434)
Under provision in prior year	–	8,328
Marginal relief	–	(3,984)
Overseas subsidiaries net results no tax charge	–	25,828
Profits taxable at lower rates	(1,094)	–
Losses carried forward	44,654	–
Losses brought forward utilised	(42,131)	–
Relief for employee share award by EBT	(146,400)	–
Tax attributable to associates	3,443	–
Tax in respect of prior periods	27,956	–
Total current tax (Note 7(a))	198,395	57,831

8 Dividends

A 1p dividend has been recommended for the year ended 31 March 2006 (2005 - £nil).

9 Earnings Per Ordinary Share

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

	2006 £	2005 £	2006 Alternative EPS £	2005 Alternative EPS £
Profit on ordinary activities after tax	916,920	212,283	916,920	235,634
	No.	No.	No.	No.
Weighted average no of shares: For basic and diluted earnings per share	13,344,667	8,130,363	13,344,667	8,130,363
Basic and diluted earnings per share	6.871p	2.611p	6.871p	2.898p

The alternative earnings per share presented is calculated using net profit before exceptional items (2005 -exceptional item – diminution in value of goodwill in associate, and amounts written off investments, a net reduction to net profits of £23,351), in order to demonstrate their impact on the earnings per share.

Diluted earnings weighted average number of shares has been calculated on the ordinary shares of the Group in issue during the year, no additional shares have been included in the calculation in respect of the share options granted as detailed in Note 35 as the conditions for exercising the options included in the performance criteria have not been met.

Notes to the Financial Statements for the year ended 31 March 2006

10 Intangible Fixed Assets

GROUP

	Goodwill £	Patents and product technology £	Total £
Cost			
At 1 April 2005	966,446	967,142	1,933,588
Additions	–	158,354	158,354
At 31 March 2006	966,446	1,125,496	2,091,942
Amortisation			
At 1 April 2005	861,749	6,484	868,233
Charge for the year	96,644	33,346	129,990
At 31 March 2006	958,393	39,830	998,223
Net book value			
At 31 March 2006	8,053	1,085,666	1,093,719
At 31 March 2005	104,697	960,658	1,065,355

11. Tangible Fixed Assets

GROUP

	Short lease hold property £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2005	327,235	1,531,843	19,050	1,878,128
Additions	50,310	219,320	34,074	303,704
At 31 March 2005	377,545	1,751,163	53,124	2,181,832
Depreciation				
At 1 April 2005	124,852	1,130,957	19,050	1,274,859
Charge for the year	30,155	126,460	3,930	160,545
At 31 March 2006	155,007	1,257,417	22,980	1,435,404
Net book value				
At 31 March 2006	222,538	493,746	30,144	746,429
At 31 March 2005	202,383	400,886	–	603,269

Hire purchase agreements

Included within the net book value of £746,429 is £165,927 (2005 - £62,161) relating to assets held under hire purchase agreements. The depreciation charged in the year in respect of such assets amounted to £19,763 (2005 - £13,050).

Notes to the Financial Statements for the year ended 31 March 2006

12 Investments

GROUP	Other £	Total £
Cost		
At 31 March 2005	234	234
Disposals	(234)	(234)
At 31 March 2006	–	–
Net book value		
At 31 March 2006	–	–
At 31 March 2005	234	234
COMPANY		
	Investment in subsidiary undertakings £	Total £
Cost		
At 31 March 2005 and 2006	196,666	196,666
Net book value		
At 31 March 2006	196,666	196,666
At 31 March 2005	196,666	196,666

The Company owns 100% of the issued ordinary share capital and voting rights of Immunodiagnostic Systems Limited, a company incorporated in England. The Company is unlisted. The results of the subsidiary and its subsidiaries have been consolidated within the Group accounts. The principal activity of the Company during the year was that of manufacturing and distributing medical diagnostic products. The Company is also actively involved in research and development projects.

Sub-subsidiary undertakings

The subsidiary owns 100% of the issued share capital of Briefvision Limited (formerly Immunodiagnostic Systems Limited) a company incorporated and registered in England. The Company does not trade.

The subsidiary also owns 100% of the issued share capital in Immunodiagnostics Systems Inc. a company incorporated and registered in the United States of America. The principal activity of Immunodiagnostic Systems Inc is that of a distribution channel.

The subsidiary also owns 100% of the issued share capital of IDS GmbH a company incorporated and registered in Germany. The principal activity of IDS GmbH is that of a distribution channel.

The subsidiary also owns 100% of the issued share capital in Suomen Bioanalytiikka Oy (SBA Sciences Ltd), a company incorporated and registered in Finland. The principal activity of Immunodiagnostic Systems Inc is that of a distribution channel. The purchase agreement included contingent consideration of €600,000, payment of which will become due following the outcome of certain future events. At present the directors believe the outcome cannot be reliably estimated.

1. €300,000 following approval of 510k status from the US Federal Drug Administration for TRAP products.
2. €300,000 following receipt of reimbursement status from US Medicare for the TRAP products.

During the year the subsidiary acquired 100% of the issued share capital of IDS Eurl, a newly incorporated company and registered in France. The principal activity of IDS Eurl is that of a distribution channel. For details of the acquisition see Note 34.

The subsidiary also owns 100% of the issued share capital of Phabia Limited, a company incorporated and registered in England. The company does not trade.

The financial year end of the subsidiary and its subsidiaries is 31 March.

Investment in associates

The subsidiary owns 30% of the issued share capital of Perinatal Diagnostics Limited, a company incorporated in England. The Company has not traded during the year. The Company's loss for the year was £2,950 with capital and reserves of Perinatal Diagnostic Limited at £5,895 as at 31 March 2006.

Notes to the Financial Statements for the year ended 31 March 2006

The subsidiary owns 33% of the issued share capital of Pyrronostics Limited, a company incorporated in England. The principal activity of Pyrronostics Limited is that of a biomarker discovery company. The loss for the year ended 31 March 2006 was £40,399. The deficiency in capital and reserves of Pyrronostics Limited is £2,119 as at 31 March 2006.

The subsidiary owns 25% of the issued share capital of Palindromx Limited, a company incorporated in England. The principal activity of Palindromx Limited is that of research and development. The profit for the year ended 31 March 2006 was £10,962. The deficiency in capital and reserves of Palindromx Limited is £46,281 as at 31 March 2006.

Investment in associates

Subsidiary's share of associated undertakings comprises:

	2006 £	2005 £
Share of turnover		
Perinatal Diagnostics Limited	–	–
Pyrronostics Limited	–	–
Palindromx Limited	10,297	5,990
	10,297	5,990
Share of operating (loss)/profit		
Perinatal Diagnostics Limited	(951)	139
Pyrronostics Limited	(13,394)	13,004
Palindromx Limited	2,688	3,154
	(11,657)	16,297
Share of assets		
Share of fixed assets		
Perinatal Diagnostics Limited	–	–
Pyrronostics Limited	–	–
Palindromx Limited	10,285	7,893
	10,285	7,893
Share of current assets		
Perinatal Diagnostics Limited	2,765	3,113
Pyrronostics Limited	4,512	36,755
Palindromx Limited	7,219	3,329
	14,496	43,197
Share of liabilities		
Liabilities due within one year		
Perinatal Diagnostics Limited	(996)	(459)
Pyrronostics Limited	(5,212)	(24,122)
Palindromx Limited	(16,574)	(13,032)
Liabilities due over one year		
Perinatal Diagnostics Limited	–	–
Pyrronostics Limited	–	–
Palindromx Limited	(12,500)	(12,500)
Share of net assets	1,769	15,286
Share of net liabilities	(12,270)	(14,310)
Cost of investment - goodwill		
Additions in year	–	23,351
Amortised in year	–	(23,351)
	–	–

Notes to the Financial Statements for the year ended 31 March 2006

13 Stocks

GROUP	2006 £	2005 £
Raw materials	475,875	353,544
Work in progress	57,636	8,976
Finished goods	271,692	400,082
	805,203	762,602

14 Debtors

GROUP	2006 £	2005 £
Trade debtors	1,340,781	922,757
VAT recoverable	32,826	103,632
Other debtors	39,497	46,354
Prepayments and accrued income	149,589	198,513
	1,562,693	1,271,256

Included within other debtors is £2,536 (2005 - £8,964) held by the Employee Benefit Trust. These assets are for the benefit of qualifying employees only.

COMPANY	2006 £	2005 £
Amounts owed by group undertakings	1,044,305	961,110
Other debtors	2,536	8,964
Prepayments and accrued income	9,842	–
	1,056,683	970,074

Included within other debtors is £2,536 (2005 - £8,964) held by the Employee Benefit Trust. These assets are for the benefit of qualifying employees only.

15 Cash at Bank and in Hand

GROUP	2006 £	2005 £
Bank deposit account	816,833	20,257
Cash at bank	66,608	424,781
Petty cash	1,653	1,637
	885,094	446,675

Included in the bank deposit account is £24,484 (2005 - £20,257) held by the Employee Benefit Trust. These assets are for the benefit of qualifying employees only.

Notes to the Financial Statements for the year ended 31 March 2006

COMPANY	2006 £	2005 £
Bank deposit account	24,484	20,257
Cash at bank	–	102,485
	24,484	122,742

Included in the bank deposit account is £24,484 (2005 - £20,257) held by the Employee Benefit Trust. These assets are for the benefit of qualifying employees only.

16 Creditors: Amounts falling due within one year

GROUP	2006 £	2005 £
Bank loans and overdrafts	205,962	208,724
Trade creditors	365,746	424,895
Corporation tax	120,009	49,503
PAYE and social security	284,007	55,649
Hire purchase agreements	68,669	13,811
Dividends payable	16,343	16,343
Other creditors	321,222	490,395
Accruals and deferred income	281,779	248,965
	1,663,737	1,508,285

The following liabilities disclosed under creditors falling due within one year are secured by the Group:

	2006 £	2005 £
Bank loans and overdrafts	205,962	208,724
Other creditors	–	17,789
Hire purchase agreements	68,669	13,811
	274,631	240,324

Amounts due under hire purchase agreements are secured over the assets financed.

Other creditors of £Nil (2005 - £17,789) relate to invoice discounting, which was secured on the trade debtors to which they relate. Invoice discounting ceased in December 2005.

There are two bank loans in place. The first being a loan taken out in 2003, which is secured by a debenture including fixed equitable charge over all present and future freehold and leasehold property, first fixed charge over book debts, chattels and goodwill and first floating charge over all assets. Interest chargeable on the loan is fixed at 2% over the bank's base rate. The total amount outstanding at 31 March 2006 was £66,346.

The second being a loan taken out in February 2005, which is secured by a debenture including fixed equitable charge over all present and future freehold and leasehold property, first fixed charge over book debts, chattels and goodwill and first floating charge over all assets of both Immunodiagnostic Systems Limited and the parent company Immunodiagnostic Systems Holdings plc. There is also an unlimited cross guarantee given by Immunodiagnostics Systems Limited, Immunodiagnostics Systems Holdings plc & Briefvision Limited to secure all liabilities of each other. Interest chargeable on the loan is fixed at 1.25% over the bank's LIBOR rate. The total amount outstanding at 31 March 2006 was £523,560.

Notes to the Financial Statements for the year ended 31 March 2006

COMPANY	2006 £	2005 £
Trade Creditors	9,632	–
Corporation tax	8,832	6,942
Accruals and deferred income	5,500	4,250
Other Creditors	19,054	–
	43,018	11,192

17 Creditors: Amounts falling due after more than one year

GROUP	2006 £	2005 £
Bank loans and overdrafts	383,944	579,131
Hire purchase agreements	57,040	2,470
	440,984	581,601

Bank loans and overdrafts and hire purchase agreements are secured as disclosed in Note 18.

18 Borrowings

Borrowings include bank loans and overdrafts which are due for repayment as follows:

GROUP	2006 £	2005 £
Amounts repayable:		
In one year or less or on demand	205,962	208,724
In more than one year but not more than two years	139,616	197,214
In more than two years but not more than five years	244,328	381,917
	589,906	787,855

19 Commitments Under Hire Purchase Agreements

Future commitments under hire purchase agreements are as follows:

GROUP	2006 £	2005 £
Amounts payable within 1 year	68,669	13,811
Amounts payable between 2 to 5 years	57,040	2,470
	125,709	16,281

20 Pensions

The subsidiary company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £46,043 (2005 - £44,816).

Notes to the Financial Statements for the year ended 31 March 2006

21 Deferred Taxation

GROUP	2006	2005
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	–	–
Profit and loss account movement arising during the year	58,852	–
Provision carried forward	58,852	–

The elements of deferred taxation, which result in a nil balance at the end of the year are as follows:

	2006	2005
	£	£
Excess of taxation allowances over depreciation on fixed assets	26,697	28,301
Other timing differences	32,155	(28,301)
	58,852	–

22 Other Provisions

	COMPANY	GROUP
	£	£
Opening balance as at 1 April 2005	271,272	271,272
Movement for the year	(244,252)	(244,252)
Closing balance as at 31 March 2006	27,020	27,020

Other provisions relates to the expenditure committed by the Employee Benefit Trust, relating to past service.

During the year 1,062,797 shares were gifted to employees.

23 Deferred Income

GOVERNMENT GRANTS	2006	2005
GROUP	£	£
Received and receivable:		
At 1 April 2005	51,625	51,625
Receivable during year	–	–
At 31 March 2006	51,625	51,625
Amortisation:		
At 1 April 2005	23,369	19,430
Credit to profit and loss account	3,939	3,939
At 31 March 2006	27,308	23,369
Net balance at 31 March 2006	24,317	28,256

Notes to the Financial Statements for the year ended 31 March 2006

24 Commitments Under Operating Leases

GROUP

At 31 March 2005 the group had annual commitments under non-cancellable operating leases as set out below.

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within 1 year	–	51,410	–	35,665
Within 2 to 5 years	–	28,983	–	30,881
After more than 5 years	81,800	–	81,800	–
	81,800	80,393	81,800	66,546

25 Transactions with the Directors

During the year shares were gifted to the executive directors by the Employee Benefit Trust as follows:

	No. of Shares	Value of gift
P Hailes	261,610	£198,850
R T Duggan	425,000	£323,043
	686,610	£521,893

26 Related Party Transactions

Transactions and balances with associated undertakings are as follows:

	2006 £	2005 £
Pyrronostics Limited:		
Amount due to/(from) Immunodiagnostic Systems Limited	2,222	(44,572)
Palindromx Limited:		
Sales to Immunodiagnostic Systems Limited	39,068	23,958
Provision for loan irrecoverability	–	–
Amount due to Immunodiagnostics Systems Limited	31,844	26,910
Perinatal Diagnostics Limited:		
Amount due to Immunodiagnostics Systems Limited	2,145	1,230

Notes to the Financial Statements for the year ended 31 March 2006

27 Share Capital

	2006 £	2005 £
Authorised:		
50,000,000 Ordinary shares of £0.02 each	1,000,000	1,000,000
	1,000,000	1,000,000
	2006 £	2005 £
Allotted, called up and fully paid:		
13,344,667 Ordinary shares of £0.02 each	266,913	266,913
	266,913	266,913

28 Share Premium

	2006 £	2005 £
Balance brought forward	965,957	–
Shares issued	–	1,720,570
Share issue costs	(30,276)	(754,613)
At 31 March 2006	935,681	965,957

29 Other Reserves

GROUP	2006 £	2005 £
Merger reserve	582,999	582,999

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

30 Profit and Loss Account

GROUP	2006 £	2005 £
Balance brought forward	177,090	(36,306)
Retained profit for the financial year	916,920	212,283
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(9,606)	1,113
At 31 March 2006	1,084,404	177,090
COMPANY	2006 £	2005 £
Balance brought forward	6,154	–
Retained profit for the financial period	1,317	6,154
At 31 March 2006	7,471	6,154

Notes to the Financial Statements for the year ended 31 March 2006

31 Reconciliation of Movements in Equity Shareholders' Funds

GROUP	2006 £	2005 £
Profit for the financial year	916,920	212,283
Foreign exchange translation differences on foreign currency net investment in subsidiaries	(9,606)	1,113
	907,314	213,396
Issue of shares	(30,276)	1,036,204
Gift of shares to employees by EBT	229,736	–
Net addition to funds	1,106,774	1,249,600
Transfer of non-equity shares to equity	–	57,000
Opening equity shareholders' funds	1,760,953	454,353
Closing shareholders' equity funds	2,867,727	1,760,953
NON-EQUITY SHAREHOLDERS' FUNDS		
Opening shareholders' non-equity funds	–	57,000
Non-equity shares converted to equity	–	(57,000)
Closing shareholders' non-equity funds	–	–
Total Shareholders' Funds	2,867,727	1,760,953

At 31 March 2006, the Immunodiagnostics Systems Holdings plc had an investment in its own shares via the Employee Benefit Trust. During the year 1,062,797 shares were gifted to employees. The number of own shares held at 31 March 2006 was 10,503 ordinary shares (2005 – 1,073,300). The market value of the shares at the year which had not unconditionally vested in employees was £12,394. The consideration paid for own shares was £2,270 (2005:£232,006).

COMPANY	2006 £	2005 £
Profit for the financial period	1,317	6,154
Issue of shares	–	1,232,870
Gift of shares to employees by EBT	229,736	--
Net addition to funds	231,053	1,239,024
Initial recognition of consideration paid for the Company's own shares	–	(232,006)
Initial recognition of share issue costs	(30,276)	–
Opening shareholders' equity funds	1,007,018	–
Total Shareholders' Funds	1,207,795	1,007,018

The consideration paid for own shares was £2,270 and is included in total shareholders funds above.

Notes to the Financial Statements for the year ended 31 March 2006

32 Cash Flows

a Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	1,254,595	325,998
Amortisation of intangible fixed assets	129,990	101,828
Depreciation of tangible fixed assets	160,545	124,071
Profit on disposal of fixed assets	–	88
Amortisation of government grants	(3,939)	(3,939)
Increase in stocks	(42,601)	(285,896)
Increase in debtors	(291,437)	(146,154)
Increase/(decrease) in creditors	8,728	(358,975)
Decrease in provisions	–	(5,251)
Net cash inflow/(outflow) from operating activities	1,215,881	(248,230)

b Analysis of cash flows for headings netted in the cash flow

Returns on investment and servicing of finance

Interest received	14,806	7,440
Interest paid	(77,955)	(21,356)
Interest element of hire purchase	(5,803)	(2,600)
Net cash outflow from returns on investments and servicing of finance	(68,952)	(16,516)

Taxation

Taxation	(127,889)	(68,268)
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Capital expenditure and financial investment

Payments to acquire intangible fixed assets	(158,354)	(31,017)
Payments to acquire tangible fixed assets	(133,282)	(92,426)
Receipts from sale of fixed assets	–	6,000
Grant received	–	35,293
Receipt from sale of fixed asset investment	234	–
Net cash outflow for capital expenditure and financial investment	(291,402)	(82,150)

Acquisitions

Purchase of subsidiary undertakings	–	(750,731)
Cash acquired with subsidiary	–	35,317
Acquisition of investments in associated undertakings	–	(44,966)
Net cash outflow from acquisitions	–	(760,380)

Financing

Issue of shares	–	1,036,204
New bank loans	–	624,957
Share premium	(30,276)	–
Repayment of bank loans	(195,385)	(88,313)
Capital element of hire purchase	(60,994)	(40,580)
Net cash inflow from financing	(286,655)	1,532,268

Notes to the Financial Statements for the year ended 31 March 2006

c Analysis of net debt

	At 1 Apr 2005 £	Cash flows £	Other changes £	At 31 Mar 2006 £
Cash in hand and at bank	446,675	438,419	–	885,094
Overdrafts	(2,564)	2,564	–	–
	444,111	440,983	–	885,094
Debt due within 1 year	(206,160)	206,160	(205,962)	(205,962)
Debt due after 1 year	(579,131)	(10,775)	205,962	(383,944)
Hire purchase agreements	(16,281)	60,994	(170,423)	(125,710)
	(801,572)	256,379	(170,423)	(715,616)
Total	(357,461)	697,362	(170,423)	169,478

33 Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2005 - £56,190).

34 Acquisition

During the year the subsidiary acquired 100% of the share capital of IDS Eurl on its incorporation for €10,000, £6,862 the Company is registered in France. The principal activity of IDS Eurl is that of distribution channel. As a newly formed company there were no other assets at incorporation and therefore there is no goodwill arising.

35 Share Options

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

	Grant date	Exercise price	Period within which options are exercisable		Number of shares for which rights are exercisable	
			From	To	2005	2006
Share Options Agreements	2005	51p	22.12.04	22.12.14	346,962	346,962
Unapproved Scheme	2005	51p	22.12.07	22.12.14	541,970	541,970
	2006	116.5p	20.01.09	20.01.16	–	46,627
EMI Share Scheme	2005	51p	22.12.07	22.12.14	692,408	692,408
	2006	116.5p	20.01.09	20.01.16	–	119,111

The market price of the shares at 31 March 2006 was 118p and the range during the year was 122.5p to 69p.

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

The share options granted will only be exercisable upon the achievement of the performance criteria.

Notes to the Financial Statements for the year ended 31 March 2006

Share Option Agreements

The following share options are held by Directors of the Company:

	Options at 01.04.05	Options at 31.03.06	Exercise price (pence)	Date from which exercisable	Expiry date
D. Evans	333,617	333,617	51p	22.12.07	22.12.14

Enterprise Management Initiative Scheme

The Company operated a share option scheme under the Enterprise Management Initiative Scheme ("EMI"). The following share options are held by directors of the company:

	Options at 01.04.05	Options granted in year	Options at 31.03.06	Exercise price (pence)	Date from which exercisable	Expiry date
R Duggan	196,078	–	196,078	51p	22.12.07	22.12.14
P Hailes	196,078	–	196,078	51p	22.12.07	22.12.14
P Lee	–	85,750	85,750	116.5p	20.01.09	20.01.16

Approved Share Option Scheme

Options are granted at the discretion of the Board to employees and full time Directors of the Group, save that options will not be granted to individuals due to retire within six months or those individuals who have a material interest in a company within the Group. No share options were granted under this scheme during the year.

Unapproved Share Option Scheme

	Options at 01.04.05	Options granted in year	Options at 31.03.06	Exercise price (pence)	Date from which exercisable	Expiry date
R Duggan	137,539	–	137,539	51p	22.12.07	22.12.14
P Hailes	137,539	–	137,539	51p	22.12.07	22.12.14
P Lee	–	46,627	46,627	116.5p	20.01.09	20.01.16

Share options held by the Director P Lee have lapsed since the year end due to his leaving the Company.

Performance conditions in relation to the Share Option Agreements, the EMI scheme, the Approved Share Option Scheme and the Unapproved Share Option Scheme are:

Exercise of an option will be dependent upon the achievement by the Company of a specified threshold of earnings per share ("EPS") growth (calculated after excluding amortisation of goodwill, gains and losses on the disposal of assets, changes resulting from the expensing of options through the profit and loss account and any extraordinary or exceptional items at the discretion of the Remuneration Committee) in excess of the growth in Retail Price Index over a three or more years performance period (the "Performance Period"). For an option to become exercisable in full, the growth in EPS of the Company over the Performance Period must exceed the growth in Retail Price Index over the same period by a specified percentage. If the excess is 15 percent or greater in respect of the first three years of the Performance Period then the performance condition is met. Where the performance condition is not met then the Performance Period is extended one financial year at a time and the growth in EPS is increased by five percent for each financial year while the options remain in existence until the performance condition as so increased has been met. As soon as the performance condition is met the options vest in their entirety and become exercisable in whole or in part at any time, subject to the rules of the IDS Approved Share Option Scheme.

SAYE Share Option Scheme

The SAYE Share Option Scheme is an all employee share scheme; 158,998 share options were granted under this scheme during the year.

All employees or full time Directors of the Group or a company within the Group who have worked for a minimum period of as the Board determines are eligible to participate in the IDS SAYE Share Option Scheme, as long as they do not have a material interest in the Company or a participating company.

Notes to the Financial Statements for the year ended 31 March 2006

36 Financial Instruments

The Group's financial instruments comprise bank borrowings and facilities, cash and short term deposits. The Group has various other financial instruments, such as trade debtors and creditors 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. The policies for managing these are regularly reviewed and agreed by the Board.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Interest rate risk

The Group finances its operations by a mixture of retained profits, bank borrowings and long term loans. The Group has borrowed in desired currencies at floating rates of interest. The Group's policy on interest rate management is agreed at Board level and is reviewed on an ongoing basis. The interest rates applying to facilities during the year are detailed in Note 16.

Interest rate profile

The Group has no financial assets, excluding short term debtors, other than sterling cash deposits of £321,686 (2005 - £21,900), euro cash deposits of €78,720 (2005 - £0) and USD cash deposits of \$391,943 (2005 - £0) which are part of the financing arrangements of the group.

The interest rate profile of the Group's financial liabilities at 31 March 2006 was as follows:

Currency	2006 Total £'000	Floating £'000	Fixed £'000	2005 Total £'000	Floating £'000	Fixed £'000
Sterling						
– Borrowings	192	66	126	176	160	16
– Non-equity shares	–	–	–	–	–	–
Euro						
– Borrowings	524	524	–	625	625	–
	716	590	126	801	785	16

The interest rate on the floating financial liabilities is linked to the bank base rate for the sterling borrowings and the LIBOR rate for the euro borrowings. The rate of return on the non-equity shares was 7% of net consolidated profits with a potential compensatory dividend. The fixed rate sterling borrowings in the current and the previous year relate to hire purchase agreements and these have a weighted average interest rate of 7.4% over a period of up to 5 years.

Liquidity risk

As regards liquidity, the Group's policy throughout the year has been to ensure continuity of funding by means of generated funds supported by the Group's bankers and raising capital. The Group is cash positive in its operating activities and is expected to be for the foreseeable future. Facilities are reviewed regularly by the Board, which will consider carefully liquidity risk for any future acquisitions.

Short term flexibility is achieved by overdraft facilities.

Notes to the Financial Statements for the year ended 31 March 2006

Foreign currency risk

The Group has subsidiaries, which operate in the USA and continental Europe. Their revenues and expenses are denominated substantially in US dollars and euros. In order to protect the Groups sterling balance sheet from the movements in these currencies and the sterling exchange rate, the Group finances its net investment in these subsidiaries by means of borrowings in their respective functional currencies.

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 profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved, other than the euro bank loan which is treated as a hedge against the net investment in a sub-subsidiary. At 31 March 2006 these exposures are as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)			
	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
Sterling	–	365	(95)	270
US dollar	–	–	–	–
Euro	–	–	–	–
	–	365	(95)	270

The exposures at 31 March 2005 for comparison purposes were as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)			
	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
Sterling	–	(53)	(306)	(359)
US dollar	–	–	–	–
Euro	–	–	–	–
	–	(53)	(306)	(359)

The Maturity profile of the Group's financial liabilities at 31 March 2006 was as follows:

	Borrowings 2006 £	Total 2005 £
In one year or less	274,631	219,971
In more than one year but not more than two years	196,656	199,684
In more than two years but not more than five years	244,328	381,917
	715,615	801,572

Borrowing Facilities

The Group had no undrawn committed borrowing facilities at 31 March 2006.

Fair values

Fair values of financial instruments equate to the book value as disclosed in the financial information. There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements.

Glossary

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.

Antibodies

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.

Biomarker

An analyte present in a biological sample whose presence or concentration is indicative of a disease state.

Conjugate

An entity formed by coupling 2 substances together. In immunoassays the term generally refers to the labelled entity in the assay (e.g. enzyme-labelled antibody).

DNA

Deoxyribonucleic Acid. Comprised of a series of nucleotides that form genes.

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.

Gene

A sequence of nucleotide bases which will code for a specific protein.

Genome

The total set of genes in an organism or species.

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.

Liposome

A type of "artificial cell" composed of a lipid bilayer which has the ability to separate and isolate the contents from the surrounding liquid.

Marker

In the present context, a synonym for Biomarker.

Monoclonal antibodies

Made by producing a single antibody cell line so that it will secrete large amounts of a specific antibody indefinitely. The antibodies produced are therefore all the same. Monoclonal antibodies are used in diagnostics and in purifying useful proteins from mixtures.

Phage Display

Expression of proteins, including antibodies, on the surface of a bacteriophage. DNA sequences are inserted into the phage genome such that the encoded protein is expressed or "displayed" on the surface of the phage. By inserting a library of, for example, antibody DNA sequences into a population of bacteriophage one can rapidly select and isolate the phage secreting antibody to a particular analyte, and then produce large quantities of the appropriate antibody.

POMC

Pro-opiomelanocortin, a hormone precursor molecule found in the pituitary gland.

Proteins

Proteins are one of the products that genes code for. They are made of chains of amino acids folded into complex three dimensional structures. It is this structure that helps determine their function.

Proteome

The entire range of proteins present in a species.

Proteomics

The study of the entire range of proteins which are produced by a particular gene, genome or cell.

Research-use Only (RuO)

In the present context, an immunoassay that does not have regulatory approval for use as an IVD and can only be used for research purposes.

RNA

Ribonucleic Acid is a linear, usually single-stranded polymer of ribonucleotides, each containing the sugar ribose in association with a phosphate group and one of four nitrogenous bases: adenine, guanine, cytosine, or uracil. RNA is found in all living cells and it encodes the information needed to synthesize proteins (i.e. it copies "instructions" that it receives from DNA), in certain viruses, it serves as the genome.

Specificity

In this context the ability of a measurement procedure to determine solely the measurable quantity it purports to measure.

TRAP

Tartrate-resistant acid phosphatases. This enzyme when measured effectively helps to find out the rate at which bone is broken down.



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