24 November 2017

Immunodiagnostic Systems Holdings PLC
Unaudited Interim Results for the six month period ended 30 September 2017

Summary of Group Results

£m	H1 2018	H1 2017	H1 2016	LFL* Change % H1 2018 v H1 2017	LFL* Change % H1 2017 v H1 2016
Group Revenue	18.7	19.5	19.4	(11%)	(9%)
Automated Business Revenue	11.6	9.9	9.2	8%	(2%)
Manual Business Revenues	6.0	6.2	6.4	(10%)	(11%)
Licensing & Technology Business Revenue	1.0	3.3	3.8	(71%)	(23%)
Adjusted** EBITDA	3.4	4.2	4.3		
Profit from Operations	1.1	0.9	0.9		
Closing Cash and Cash Equivalents	29.7	28.7	23.5		

* Like for like 'LFL' numbers have been restated to remove the impact of foreign exchange movements in the year by restating the H1 2017 and H1 2016 performance using the exchange rates during H1 2018.

** Before exceptional credit of £0.1m (H1 2017: cost of £1.3m; FY 2017: cost of £1.4m) – see reconciliation in the Financial Review section.

Key Business Developments H1 2018

In H1 2018 the rate of improvement in the Group's financial performance slowed versus recent H1 periods. In particular LFL Group revenue was down by 11% versus a decrease of 9% last year. The main driver for this decrease was the previously announced loss of the main customer in the Licensing and Technology business. On the positive side, Automated business revenue resumed growth at a rate of 8% LFL.

Adjusted EBITDA, our core metric for underlying profitability, dropped from £4.2m to £3.4m because the lost business was royalty income, and hence 100% gross margin.

The Operational KPIs show a slightly more positive picture:

a) Gross and net placement of new instruments in direct sales territories resumed their ascent, albeit at a relatively slow rate. Sales of instruments to our distributors has started to show growth;

b) The average number of assays on our instruments in direct sales territories increased by 0.5 to 4.3 year on year. We launched one new assay in the period which will contribute to driving the average number of assays up further;

c) In terms of overall efficiency, revenues per full time employee ("FTE") stagnated at £130,000 on an annualised basis.

As you will see in the Report of the CEO, most of these metrics have improved year on year, but not sequentially from H2 2017.

Operational KPIs

	H1 2018	H1 2017	H1 2016
Gross Instrument Placements – Direct Territories	18	15	9
Net Instrument Placements – Direct Territories	9	5	(10)
Instrument Sales – Distribution Territories	17	2	3
Average Assays Per Instrument	4.3	3.9	3.5
New Assay Launches	1	1	0
Annualised revenue per employee £000's	130	129	115

During October 2017, our CEO Regis Duval, informed the Board that he wished to step down for personal reasons. As a result he left the Group effective from 31 October 2017, with the CEO position being taken over by Jaap Stuut. Jaap has been with the Group since 2013, and was previously responsible for the global marketing and corporate development of the Company, as well as having the direct sales responsibility for the USA and Brazil.

Jaap Stuut, CEO of IDS, commented:

“Having worked at IDS for four years, I was pleased to be asked by the Board to take over as Group CEO. My focus in the coming months will be on the sales organisation in both our Automated and Manual businesses. I will strive to improve the quality and training of the sales team, as well as the tools available to enable them to successfully engage with both existing and new customers.

The first half results show that underlying revenues in the IDS business, excluding the Licensing and Technology segment, remain stable, however I am confident that we can improve on this performance moving forward, and I look forward to returning the business to growth.“

Notes :
Immunodiagnostic Systems Holdings plc ("IDS", “the Group” or "the Company"), is a specialist in-vitro diagnostic solution provider to the clinical laboratory market and producer of manual and automated diagnostic testing kits and instruments for the clinical market.

For further information:
Immunodiagnostic Systems Holdings PLC **Tel : +44 (0)191 519 0660**
Jaap Stuut, CEO
Paul Martin, Finance Director

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

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

Report of the CEO/Operational Report

Overview

On a like for like basis ("LFL") revenue declined by 11% in H1 2018 versus H1 2017. The majority of this decline was driven by the loss of antibody royalty income from a major customer, as announced in the previous year. Laboratory business revenue (i.e. the Automated business plus the Manual business) grew by 1% versus the same period in the previous year on a like for like basis. Below is a discussion of the main developments and actions undertaken in our business units.

1. Automated Business

1.1 Revenue Performance

We were able to grow the segment by 8% on a LFL basis in H1 2018. Details of the movements within this business unit are shown below:

				LFL Change %	
	H1 2018 £000	**H1 2017 £000**	**H1 2016 £000**	**H1 18 v H1 17**	**H1 17 v H1 16**
25-OH Vitamin D	3,317	3,239	3,898	(3%)	(25%)
Speciality Assays	7,408	6,231	4,841	10%	16%
Instrument Sales & Service	879	441	418	66%	(5%)
Total	**11,604**	**9,911**	**9,157**	**8%**	**(2%)**

1.2 Sales Process

During the first half, our sales team in the USA has been increased from four people to six. We are confident that we have not only enlarged our team, but also improved the capabilities significantly. However, due to the extended sales process involved in placing an instrument, we do not expect to reap the benefits until the next financial year.

During the second half of the year, attention will turn to the sales team in Western Europe which now falls under my direct responsibility.

In addition to improving the efficacy and number of employees in the sales team, we are continuing to refine our sales process. As noted in our FY 2017 Annual Report, our CRM system is now fully embedded within our sales team and processes, and used by the team on a daily basis. Now the emphasis will be on improving our lead selection/qualification process to ensure we focus on opportunities where the customer is likely to find an IDS analyser and our niche assay portfolio a good complement to their existing workhorse analysers. Alternatively we will look for opportunities where we can be the workhorse – for example this could be the case in a Physician's Office Laboratory ("POL").

In addition to working with our direct sales representatives, we have recently started to develop sales traction in a number of countries via our distributor network. We have re-deployed senior resources within the organisation to focus on this area, and have recruited a number of new employees to strengthen the team managing our distributors. In H1 2018 the number of instrument placements with our distributors increased to 17 from 2 in H1 2017. The distribution channel is anticipated to be a key driver of growth going forwards.

1.3 Assay Development

In H1 2018 we released one new automated assay with a CE mark, IDS-iSYS Free Testosterone. This brings our fertility panel to three assays (the other two assays being 17 OH Progesterone and Total Testosterone).

In total we now have an assay menu of 20 assays in Europe and 10 in the USA. We continue to have four assays available for sale in China. We have a target to launch a further three assays during the second half of 2018, bringing the total launches for the financial year to four new assays with CE-mark.

During the period we have recruited a new R&D Director, who has taken responsibility for all assay R&D activities. Changes have been made to re-organise the R&D team. A layer of management has been redeployed, so now all project team leaders report directly to the R&D director, with the aim of making the team more agile and project focussed.

1.4 Assays per Instrument

Average assays being run on each instrument stands at 4.3, versus 3.9 at H1 2017. However this metric has remained static versus the position at 31 March 2017, and during H2 we will focus on returning this metric to growth. Maximising the number of assays running on each instrument is important both to short term revenue growth, and to improving the "stickiness" of the instrument within the laboratory.

1.5 Instrument Placements

An analysis of instrument placements and sales over the previous five half-year periods is set out below:

	H1 2018	H2 2017	H1 2017	H2 2016	H1 2016
Direct Gross Placements	18	25	15	22	9
Direct Returns	(9)	(14)	(10)	(24)	(19)
Direct Net Placements	9	11	5	(2)	(10)
Sales to Distributors	17	10	2	5	3

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

Gross direct instrument placements improved to 18 in this half, from 15 in H1 2017. An improvement in the number of placements in Europe was offset by lower placements in the USA. Coupled with lower returns, all regions increased their installed base of analysers during the period.

Sales of instruments within our distribution network have improved significantly to 17 (H1 FY17: 2), reflecting our increased emphasis on this sales channel.

When looking at the two and a half years of placement history shown in the table above, the "big picture" emerging is that there is some improvement, albeit at a slow pace. At the current rate of growth we will take too long to return to the circa 100 gross new placements per annum the Group achieved four to five years ago. Secondly, the level of placements is below those achieved by our competitors when considered in relation to the size of our direct sales force: they equate to less than three gross new placements per annum. Thus the conclusion of the Board is that the company needs the CEO to focus his energy on improving sales team performance to best in class levels whilst also delivering the enhancements to the overall product offering to make us the "go to" provider of diagnostic equipment and assays in our chosen niche areas.

Average revenue per direct instrument ("ARPI") was £56,000 per annum (calculated on a rolling 12-month basis) (H1 2017: £52,000). The increase versus H1 2017 was mainly due to the impact of the weaker Pound Sterling which led to USD and Euro denominated iSYS revenue being worth more when converted into Pounds Sterling.

1.6 IDS-i10 analyser

The IDS-i10 analyser (formerly iSYS2) was presented to the market at the AACC conference in San Diego in September 2017. This device has a number of advantages when compared to the iSYS including a smaller footprint, the ability to connect to a laboratory track and a higher throughput. Importantly, it is more eco-friendly. The feedback we received was positive, with the enhancements appearing to meet customer wishes.

We are currently finalising the validation of the assays on the machine, and expect to make the first commercial sales of the IDS-i10 into the US market during the first half of calendar year 2018.

2. Manual Business

2.1 Revenue Performance

On a LFL basis, revenues in this business unit declined by 10% compared to the same period last year. Details of the movements within this business unit are shown below. We have not been able to compensate the migration of 25-OH Vitamin D to automated analysers with growth in our other assays. On the positive side the team at Diametra, the ELISA manufacturer IDS acquired in FY2015, did an outstanding job, returning to growth for the first time since acquisition.

				LFL Change %	
	H1 2018 £000	**H1 2017 £000**	**H1 2016 £000**	**H1 18 v H1 17**	**H1 17 v H1 16**
25-OH Vitamin D	660	1,130	1,698	(45%)	(40%)
Other Speciality - IDS	3,419	3,569	3,243	(11%)	2%
Diametra	1,932	1,533	1,417	18%	(6%)
Total	**6,011**	**6,232**	**6,358**	**(10%)**	**(11%)**

2.2 Sales Organisation

The Business Unit Director for our Manual business joined in November 2017, and during the second half of this financial year he will focus on filling out the remaining roles in the Manual business unit's organisational structure, as well as developing the strategic direction of the business in terms of key geographical markets and product lines.

Emphasis will be on recruiting a team capable of expanding and managing the existing IDS internal sales organisation as well as the distributor network. The distributor network for Automated business tends to be different to that of Manual business, and we have therefore decided to give each business unit direct responsibility for its distributor network, rather than have a central group. We are confident that there is significant room for improvement once we have the team in place, as this area has not received the required attention for many years.

3. Licensing & Technology Business

3.1 Revenue Performance

On a LFL basis, revenues in this business unit declined by 71% compared to the same period last year. Details of the movements within this business unit are show below:

				LFL Change %	
	H1 2018 £000	**H1 2017 £000**	**H1 2016 £000**	**H1 18 v H1 17**	**H1 17 v H1 16**
Biologicals / Antibody	69	1,977	2,733	(97%)	(35%)
Instrumentation & Ancillaries	973	1,342	1,105	(33%)	9%
Total	**1,042**	**3,319**	**3,881**	**(71%)**	**(23%)**

On a LFL basis, Biologicals/Antibody royalty income has decreased by 97% due to the loss of business from our major customer. Revenue during H1 2018 was only £69k, meaning that moving forward the overall group growth rate cannot be suppressed by further declines in this income stream.

Instrumentation and ancillary technology income relates to revenue generated by selling our IDS instruments and related consumables to partners on an OEM basis. A total of four instruments were sold to partners during H1 2018 (H1 2017: 15).

This reduction has arisen as during 2017 significant income was generated selling instruments to the new strategic partners, who are using these machines for R&D purposes. There has now been a dip in revenues while these partners complete their development work, and revenue will then increase once these partners are able to bring their products to market and hence will require instruments for operational purposes.

3.2 Main Actions Taken During the Reporting Period

Responsibility for our biological antibody portfolio has been given to the new head of our Manual business unit. We will be actively looking to commercialise this antibody portfolio, while remaining cognisant of the risk of creating additional competition for IDS's range of automated and manual assays.

During the period we have worked closely with the partners to whom we have sold our instrument technology to assist them in developing their product portfolios. This is a multi-year process, but once a partner's development cycle is complete we would expect to see growing revenues in this business unit as sales of analysers and ancillaries will increase upon commercialisation of our partners' products. During the period we advanced negotiations with a number of partners to allow IDS to sell their products on IDS's base of instruments.

4 Human Resources

4.1 Functional Organisation

As announced in the 2017 Annual Report, we commenced a process of transitioning our organisational structure from a geographical model to a functional one. This process was substantially completed during the first half of the year. During the coming months we aim to leverage this new structure to share best practices across sites, enhance decision making ability and eliminate duplication of resources. This efficiency will offset the additional resource being added to our sales and distributor management teams.

4.2 Engagement Survey

During February 2017, the Group performed a survey to measure and understand the levels of employee engagement in the business. The results of the survey clearly showed that we had work to do to increase the level of engagement to a level that would be expected in a successful business. As a management team, we understand the critical importance in having an engaged and motivated workforce to help complete the turnaround of IDS. Putting it simply, I want IDS to be an organisation where our existing team enjoy coming to work, and an environment that new recruits want to come to work in.

During the first half of FY 2018, a number of workshops and seminars were held with a large number of staff. As a result of these, action plans were developed to address specific issues raised in the survey.

In September 2017 the engagement survey was re-performed, and I am pleased to say the results had improved significantly since February 2017. However, we still have a long way to go to reach the levels of engagement we believe are required to make us a world class business. We will perform another survey in February 2018, and I will update you on the results of this in the 2018 Annual Report.

4.3 IDS Mission, Values and Behaviours

During the half we created a cross-functional team to review the mission and core values of IDS, and the behaviours we believe should underpin these values. This project is substantially complete, and we will introduce these behaviours and values to the business during the second half of FY 2018. They will be incorporated into our people processes, becoming the foundation by which we conduct our daily business, and will govern the type of people we recruit in the future.

Financial review

Group revenues were £18.7m, a decrease of 4% compared to the revenues of £19.5m recorded in H1 2017. LFL revenues fell by 11%. Revenues in our laboratory business, excluding the Technology Business, grew by 1% on a LFL basis (H1 2017: decline of 6%) as growth in our Automated business offset decline in our Manual business.

Adjusted EBITDA (before exceptional items) was £3.4m, a reduction of £0.8m compared to H1 2017, with the loss of antibody royalty income in the Licensing and Technology business adversely impacting EBITDA by £1.9m.

A. SUMMARY OF INCOME STATEMENT

	H1 2018 £000	Restated H1 2017 (Note 1) £000	Restated FY 2017 (Note 1) £000
Revenue	**18,657**	19,462	40,035
Gross profit	**9,193**	10,158	19,927
Gross margin	***49.3%***	*52.2%*	*49.8%*
Sales and marketing	**(4,561)**	(4,681)	(9,488)
Research and development	**(920)**	(856)	(2,230)
General and administrative	**(2,728)**	(2,462)	(5,154)
Total operating costs	**(8,209)**	(7,999)	(16,872)
Exceptional items	**146**	(1,276)	(1,404)
Profit from operations	**1,130**	883	1,651
Add back			
Depreciation and amortisation	**2,424**	2,063	4,658
Exceptional items	**(146)**	1,276	1,404
Adjusted EBITDA	**3,408**	4,222	7,713

Cost reclassification – operational overheads, premises costs and depreciation

A number of reclassifications have been carried out in H1 2018, to reallocate certain costs to the Income Statement line which better reflects the nature of the cost, thus ensuring that the Group's financial performance can be more easily benchmarked with its peer group. Firstly, fixed operational and production overheads, which were previously shown on the face of the income statement within general and administrative expenses have been moved to cost of sales.

In addition, premises costs and depreciation for land and buildings which were originally included within General & Administrative have now been adjusted to either fall in cost of sales or sales and marketing dependent on the business carried out at each territory. This does not impact the net assets or profit from operations of the Group for any of the periods reported. A table detailing the impact of this reclassification is set out in note 1.

Foreign Exchange

During the period, IDS revenues have benefitted by around £1.5m (or 8%) as a result of the devaluation of the Pound Sterling. In the period, 66% (H1 2017: 55%) of the Group's revenues were in Euros, and 23% (H1 2017: 34%) were denominated in US Dollars. These revenues are now worth more when converted into Pounds Sterling as a result of the weaker Pound.

Conversely IDS also has a significant cost base denominated in Euros and US Dollars, thus these costs have increased compared to H1 2017 when converted back into Pounds Sterling. The approximate net improvement in H1 2018 adjusted EBITDA as a result of the movements in exchange rates is £0.5m.

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

Average exchange rates	H1 2018	H1 2017	FY 2017
Sterling : US Dollar	**1.29**	**1.39**	**1.32**

Sterling : Euro	**1.14**	**1.24**	**1.20**

Gross Profit

Gross profit was £9.2m (H1 2017: £10.2m) implying a gross margin of 49.3% (H1 2017: 52.2%). The decline in gross margin is due to the erosion of antibody royalty income, on which the Group recorded a 100% gross margin. Stripping out royalty income, gross margins improved by around 12%, mainly as a result of a favourable product mix and cost reduction initiatives.

Operating costs

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

	H1 2018 £000	**H1 2017 restated (Note 1)** £000
Sales & marketing	**(4,561)**	(4,681)
Research & development	**(920)**	(856)
General & administrative	**(2,728)**	(2,462)
Operating costs (pre-exceptional)	**(8,209)**	(7,999)

Total spend on operating costs has increased by £0.2m, to £8.2m (H1 2017: £8.0m). LFL operating costs (on a constant scope and FX rate) decreased by £0.5m.

Sales and marketing costs reduced by £0.1m, driven by efficiency savings in the technical and field services teams. R&D costs remained constant however lower spending on instrument R&D was offset by higher spending on assay R&D. G&A expenses increased by £0.3m, mainly due to higher spend on recruitment costs related to key hires within the sales and R&D teams.

The Group continues to explore different avenues to drive efficiencies into our cost base. During H1 2018 we commenced the process to vacate our offices in Milan and Paris, and combine the functions performed in these offices into our Spello and Pouilly plants respectively. This process will be completed during the second half of FY 2018.

Exceptional items

During the year ended 31 March 2017 the Group initiated a number of restructuring projects designed to rationalise the cost base of the business. These projects were focussed on making the organisation more efficient, while retaining the skills and competencies we need to return the business to profitable growth.

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

	H1 2018 £000	H1 2017 £000	FY 2017 £000
Restructuring costs	**146**	(1,276)	(1,631)
Impairment of goodwill, intangible assets and tangible fixed assets	**-**	-	227
Total exceptional items	**146**	(1,276)	(1,404)

In FY 2017, restructuring costs relate mainly to redundancy costs of £1.3m (recorded during H1 2017) and onerous lease costs of £0.3m (recorded during H2), offset by an impairment reversal of £0.2m as a result of the impairment review carried out at 31 March 2017.

In H1 2018, an exceptional credit of £0.1m was recorded, relating to the reversal of a portion of the onerous lease provision booked in H2 FY 2017.

Finance income/expense

Net finance income was £0.1m (H1 2017: expense £0.4m, FY 2017: expense £0.5m) and relates mainly to foreign exchange gains and losses on intercompany funding and cash balances.

Taxation

The Group's effective tax rate for the current period is based on an estimate of the rate for the full financial year and is -14% (H1 2017: -198%) giving a tax credit of £174k (H1 2017: credit of £985k). Before exceptional items, prior year adjustments and the effect of rate changes on deferred tax balances, the effective rate is -21% (H1 2017: -51%). The effective tax rate is reduced by 35% as a result of research and development tax relief claimed on eligible expenditure and patent box relief.

Earnings per share

Adjusted earnings per share is calculated using profit after tax adjusted to exclude the after tax effect of exceptional items. Basic earnings per share are 4.9p (H1 2017: 5.0p). Adjusted basic earnings per share are 4.5p (H1 2017: 9.3p). A reconciliation of these amounts is given in note 4.

Headcount

Compared to the 31 March 2017 headcount (on an FTE basis and including contractors) of 284 people, headcount has increased by 3 (30 September 2016: 302). The key drivers of the increase related to an increase in sales headcount in the USA, and the in-sourcing of software development for the IDS analysers. A summary of IDS headcount by function is given below:

Headcount (FTE basis)	**H1 2018**	**31 Mar 17**	**H1 2017**	**H1 2016**
Operations	127	127	137	148
Sales and Marketing	81	80	86	93
thereof field sales force	*22*	*20*	*21*	*18*
Research and Development	43	41	44	54
General and administrative	36	36	35	41
Total	**287**	**284**	**302**	**336**

Annualised revenue per employee for the six months period ending 30 September 2017 stagnated at £130,000 per FTE (H1 2017: £129,000).

B. SUMMARY OF BALANCE SHEET

The Group's net assets at 30 September 2017 are £57.2m (30 September 2016: £55.4m).

C. SUMMARY OF CASH FLOW STATEMENT

IDS generated net cash flows from operations of £1.3m (H1 2017: £3.7m). During the period the Group increased inventory levels by £1.1m, mainly as a result of increased holding of iSYS analysers and a build-up in materials related to the i10 analyser.

Net cash used in investing activities was £1.8m (H1 2017: £1.5m), resulting in free cash outflow of £0.5m (H1 2017: inflow of £2.2m).

Net cash used in financing activities was £1.4m (H1 2017: £0.4m), the increase being mainly due to the higher dividend paid.

Free cash flow to equity, comprising dividends, share buybacks and capital repayments of debt amounted to £1.2m (H1 2017: £0.4m).

As at 30 September 2017, the Group's cash and cash equivalents reduced to £29.7m compared to 31 March 2017 (30 September 2016: £28.7m; 31 March 2017: £31.5m), largely due to the payment of dividend relating to FY 2017 and the build-up in stocks of analysers.

D. OUTLOOK

Moving into the second half of financial year 2018 we anticipate that the various business units will continue on similar trajectories to those seen during H1 2018. However as noted in the 2017 Annual Report, it will be difficult to exceed FY 2017 comparable revenue numbers.

The work Jaap is undertaking within the sales organisation will bear fruit in the medium term, however due to the lengthy sales cycle for an analyser we do not expect to see an improvement in trajectory from these actions during this financial year.

We remain confident that the strategy we are pursuing, which remains unchanged with our new CEO, will deliver the return to growth that is desired by all the employees and shareholders of the Group.

Unaudited consolidated interim income statement
For the six month period to 30 September 2017

	Note	6 Months ended 30 Sept 2017 £000	Restated 6 Months ended 30 Sept 2016 (Note 1) £000	Restated Year ended 31 March 2017 (Note 1) £000
Revenue	**2**	**18,657**	**19,462**	**40,035**
Cost of sales		(9,464)	(9,304)	(20,108)
Gross profit		**9,193**	**10,158**	**19,927**
Sales and marketing		(4,561)	(4,681)	(9,488)
Research and development		(920)	(856)	(2,230)
General and administrative		(2,728)	(2,462)	(5,154)
Operating costs pre-exceptional items		(8,209)	(7,999)	(16,872)
Restructuring costs		146	(1,276)	(1,631)
Impairment of goodwill and other intangibles		-	-	227
Total exceptional items	3	146	(1,276)	(1,404)
Operating costs		**(8,063)**	**(9,275)**	**(18,276)**
Profit from operations		**1,130**	**883**	**1,651**
Finance income		258	96	169
Finance costs		(134)	(481)	(629)
Profit before tax		**1,254**	**498**	**1,191**
Income tax credit	5	174	985	1,818
Profit for the period attributable to owners of the parent		**1,428**	**1,483**	**3,009**
Earnings per share				
From continuing operations				
Adjusted basic	4	4.5p	9.3p	14.8p
Adjusted diluted	4	4.5p	9.3p	14.8p
Basic	4	4.9p	5.0p	10.2p
Diluted	4	4.8p	5.0p	10.2p

Unaudited interim statement of other comprehensive income
For the six month period to 30 September 2017

	6 Months ended 30 Sept 2017 £000	6 Months ended 30 Sept 2016 £000	Year ended 31 March 2016 £000
Profit for the period	**1,428**	**1,483**	**3,009**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences	228	2,522	2,558
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before and after tax	**228**	**2,522**	**2,558**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit plan	13	113	(82)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, before tax	**13**	**113**	**(82)**
Tax relating to other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-	-
Other comprehensive income, net of tax	**241**	**2,635**	**2,476**
Total comprehensive income for the period attributable to owners of the parent	**1,669**	**4,118**	**5,485**

Unaudited consolidated interim balance sheet
As at 30 September 2017

	Note	30 September 2017 £000	30 September 2016 £000	31 March 2017 £000
Assets				
Non-current assets				
Property, plant and equipment		7,877	9,416	8,505
Other intangible assets		10,777	9,786	10,450
Deferred tax assets		524	33	503
Other non-current assets		340	323	333
		19,518	19,558	19,791
Current assets				
Inventories		8,736	8,035	7,572
Trade and other receivables		7,239	7,784	7,648
Income tax receivable		2,518	3,093	2,229
Cash and cash equivalents		29,652	28,700	31,495
		48,145	47,612	48,944
Total assets		67,663	67,170	68,735
Liabilities				
Current liabilities				
Short-term portion of long-term borrowings		80	98	77
Trade and other payables		6,590	6,378	7,484
Income tax payable		192	48	53
Provisions	6	395	1,204	424
Deferred income		154	79	181
		7,411	7,807	8,219
Net current assets		40,734	39,805	40,725
Non-current liabilities				
Long-term portion of long-term borrowings		1,245	1,290	1,252
Provisions	6	1,176	1,310	1,611
Deferred tax liabilities		611	1,400	921
		3,032	4,000	3,784
Total liabilities		10,443	11,807	12,003
Net assets		**57,220**	**55,363**	**56,732**
Total equity				
Called up share capital	7	588	588	588
Share premium account	7	32,263	32,263	32,263
Other reserves		5,246	4,982	5,018
Retained earnings		19,123	17,530	18,863
Equity attributable to owners of the parent		**57,220**	**55,363**	**56,732**

Unaudited consolidated interim cash flow statement

For the six month period to 30 September 2017

	6 Months ended 30 Sept 2017 £000	**6 Months ended 30 Sept 2016 £000**	**Year ended 31 March 2017 £000**
Profit before tax	1,254	498	1,191
Adjustments for:			
Depreciation of property, plant and equipment	1,452	1,156	2,723
Amortisation of intangible assets	972	907	1,935
Impairment of property, plant and equipment	-	-	(227)
Loss on disposal of property, plant and equipment	7	26	89
Share based payment expense	8	-	2
Finance income	(162)	(96)	(169)
Finance costs	38	481	630
Other exceptional items	(146)	1,276	1,631
Operating cash flows before movements in working capital	3,423	4,248	7,805
(Increase)/decrease in inventories	(1,063)	272	519
Decrease/(increase) in receivables	457	(332)	(197)
(Decrease)/increase in payables and provisions	(1,006)	(510)	721
Cash generated by operations	1,811	3,678	8,848
Cash outflow related to exceptional costs	(299)	(113)	(1,208)
Income taxes (paid)/received	(163)	103	796
Net cash from operating activities	**1,349**	**3,668**	**8,436**
Investing activities			
Purchases of other intangible assets	(1,204)	(1,321)	(3,039)
Purchases of property, plant and equipment	(894)	(392)	(1,471)
Disposals of property, plant and equipment	123	158	712
Interest received	162	96	169
Net cash used by investing activities	**(1,813)**	**(1,459)**	**(3,629)**
Financing activities			
Purchase of own shares	(12)	-	-
Repayments of borrowings	(46)	(49)	(96)
Interest paid	(134)	(34)	(88)
Dividends paid	(1,177)	(353)	(353)
Net cash used by financing activities	**(1,369)**	**(436)**	**(537)**
Net (decrease)/increase in cash and cash equivalents	**(1,833)**	**1,773**	**4,270**
Effect of exchange rate differences	**(10)**	**373**	**671**
Cash and cash equivalents at beginning of period	31,495	26,554	26,554
Cash and cash equivalents at end of period	**29,652**	**28,700**	**31,495**

Unaudited consolidated statement of changes in equity

	Share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total £000
At 1 April 2017	588	32,263	5,018	18,863	56,732
Profit for the period	-	-	-	1,428	1,428
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	228	-	228
Remeasurement of defined benefit plan	-	-	-	13	13
Total comprehensive income	-	-	228	1,441	1,669
Transactions with owners					
Share based payments	-	-	-	8	8
Dividend Paid	-	-	-	(1,177)	(1,177)
Purchase of own shares	-			(12)	(12)
At 30 September 2017	588	32,263	5,246	19,123	57,220
At 1 April 2016	588	32,263	2,460	16,287	51,598
Profit for the period	-	-	-	1,483	1,483
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	2,522	-	2,522
Remeasurement of defined benefit plan	-	-	-	113	113
Total comprehensive income	-	-	2,522	1,596	4,118
Transactions with owners					
Share based payments	-	-	-	-	-
Dividend Paid	-	-	-	(353)	(353)
At 30 September 2016	588	32,263	4,982	17,530	55,363
At 1 April 2016	588	32,263	2,460	16,287	51,598
Profit for the period	-	-	-	3,009	3,009
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	2,558	-	2,558
Remeasurement of defined benefit plan	-	-	-	(82)	(82)
Total comprehensive income	-	-	2,558	2,927	5,485
Transactions with owners					
Share based payments	-	-	-	2	2
Dividend Paid	-	-	-	(353)	(353)
At 31 March 2017	588	32,263	5,018	18,863	56,732

Notes to the Interim Financial Statements

For the six month period to 30 September 2017

1 Basis of preparation

The unaudited condensed financial statements for the six months ended 30 September 2017 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2017. The unaudited condensed financial information has been prepared using the same accounting policies and methods of computation used to prepare the Group's Annual Report for the year ended 31 March 2017 that are described on pages 48 to 56 of that report which can be found on the Group's website at www.idsplc.com. The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union.

There are no new standards or interpretations mandatory for the first time for the financial year ending 31 March 2017 that have a material effect on the half year results. The financial information for the six months ended 30 September 2017 is not reviewed by Ernst & Young LLP and accordingly no opinion has been given. The comparative financial information for the year ended 31 March 2017 has been extracted from the 2017 Annual Report & Accounts. The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and does not reflect all of the information contained in the Group's Annual Report and financial statements. The annual financial statements for the year ended 31 March 2017, which were approved by the Board of Directors on 20 June 2017, received an unqualified audit report, did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

Change in accounting policy relating to presentation only: Operational overheads such as indirect salaries and consumables relating to production, premises costs and land and buildings depreciation previously shown below the gross profit line within operating costs have now been allocated to cost of sales or other operating cost categories better reflecting the nature of those costs. This reallocation also brings the Group's results in line with its peers. This change does not impact the Group profit. The changes made are highlighted in the table below:

H1 2018	**Before Reclassification**	**Operational Overheads Reclassification**	**Premises Reclassification**	**After Reclassification**
	£000	**£000**	**£000**	**£000**
Revenue	**18,657**			**18,657**
Cost of sales	(8,008)	(1,150)	(306)	(9,464)
Gross profit	**10,649**	**(1,150)**	**(306)**	**9,193**
Sales and marketing	(4,279)		(282)	(4,561)
Research and development	(966)		46	(920)
General and administrative	(4,420)	1,150	542	(2,728)
Operating costs pre-exceptional items	(9,665)	1,150	306	(8,209)
Exceptional items	146			146
Operating costs	**(9,519)**	**1,150**	**306**	**(8,063)**
Profit from operations	**1,130**	**-**	**-**	**1,130**

H1 2017	Before Reclassification £000	Operational Overheads Reclassification £000	Premises Reclassification £000	After Reclassification £000
Revenue	**19,462**			**19,462**
Cost of sales	(7,789)	(1,080)	(435)	(9,304)
Gross profit	**11,673**	**(1,080)**	**(435)**	**10,158**
Sales and marketing	(4,365)		(316)	(4,681)
Research and development	(902)		46	(856)
General and administrative	(4,247)	1,080	705	(2,462)
Operating costs pre-exceptional items	(9,514)	1,080	435	(7,999)
Exceptional items	(1,276)			(1,276)
Operating costs	**(10,790)**	**1,080**	**435**	**(9,275)**
Profit from operations	**883**	**-**	**-**	**883**

FY 2017	Before Reclassification £000	Operational Overheads Reclassification £000	Premises Reclassification £000	After Reclassification £000
Revenue	**40,035**			**40,035**
Cost of sales	(17,056)	(2,225)	(827)	(20,108)
Gross profit	**22,979**	**(2,225)**	**(827)**	**19,927**
Sales and marketing	(8,824)		(664)	(9,488)
Research and development	(2,313)		83	(2,230)
General and administrative	(8,787)	2,225	1,408	(5,154)
Operating costs pre-exceptional items	(19,924)	2,225	827	(16,872)
Exceptional items	(1,404)			(1,404)
Operating costs	**(21,328)**	**2,225**	**827**	**(18,276)**
Profit from operations	**1,651**	**-**	**-**	**1,651**

2 Revenue and segmental information

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

	H1 2018 £000	H1 2017 £000	FY 2017 £000
25-OH vitamin D	**3,317**	3,239	6,773
Other specialty	**7,408**	6,231	13,257
Instrument sales	**879**	441	1,343
Total automated	**11,604**	9,911	21,373
Automated revenue comprises:			
Operating lease rental	**2,446**	2,297	4,660
Reagent revenue	**9,158**	7,614	16,713
25-OH vitamin D	**660**	1,130	2,063
Other specialty	**3,419**	3,569	7,367
Diametra	**1,932**	1,533	3,351
Total manual	**6,011**	6,232	12,781
Biologicals / Antibody	69	1,977	2,767
Instrumentation & Ancillaries	973	1,342	3,114
Licensing and Technology	**1,042**	3,319	5,881
	18,657	19,462	40,035

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

The Group applies IFRS 8 Operating Segments. IFRS 8 provides segmental information for the Group on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that the role of chief operating decision-maker is performed by the Board of Directors.

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

Analysis of revenue is prepared and monitored on a geographical basis due to the organisation of the sales teams as well as by product type. However, earnings on a geographical basis are not considered the most appropriate measure of performance given the differing nature of operations across the different territories.

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

All earnings, balance sheet and cash flow information received and reviewed by the Board of Directors is prepared at a Group level.

The Group determined that it had one operating segment as defined under IFRS 8, being the whole of the Group.

3 Exceptional items

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

	H1 2018	H1 2017	FY 2017
	£000	£000	£000
Restructuring income / (costs)	**146**	(1,276)	(1,631)
Impairment of goodwill, intangible assets and tangible fixed assets	**-**	-	227
Total exceptional items	**146**	(1,276)	(1,404)

In H1 2018, an exceptional credit of £0.1m was recorded, relating to the reversal of a portion of the onerous lease provision booked in H2 FY 2017.

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

In the year ended 31 March 2017, the restructuring costs related mainly to redundancy costs of £1.2m and onerous lease costs of £0.4m, offset by an impairment reversal of £0.2m as a result of the impairment review carried out at 31 March 2017.

4 Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares relating to contingently issuable shares under the Group's share option scheme. At 30 September 2017, the performance criteria for the vesting of the awards under the option scheme had been met and consequently the shares in question are included in the diluted EPS calculation.

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

	6 Months ended 30 Sept 2017	6 Months ended 30 Sept 2016	Year ended 31 March 2017
	£000	**£000**	**£000**
Profit on ordinary activities after tax	1,428	1,483	3,009
	No.	No.	No.
Weighted average no of shares:			
For basic earnings per share	29,413,891	29,415,175	29,415,175
Effect of dilutive potential ordinary shares:			
-Share Options	61,853	-	247
For diluted earnings per share	29,475,744	29,415,175	29,415,422
Basic earnings per share	4.9p	5.0p	10.2p
Diluted earnings per share	4.8p	5.0p	10.2p

	6 Months ended 30 Sept 2017	6 Months ended 30 Sept 2016	Year ended 31 March 2017
	£000	**£000**	**£000**
Profit on ordinary activities after tax as reported	1,428	1,483	3,009
Exceptional items after tax	(111)	1,258	1,353
Profit on ordinary activities after tax as adjusted	1,317	2,741	4,362
Adjusted basic earnings per share	4.5p	9.3p	14.8p
Adjusted diluted earnings per share	4.5p	9.3p	14.8p

5 Taxation

The estimated tax rate for the year on profit before exceptional items of -21% (H1 2017: -35%) has been applied to the profit before exceptional items for the six months to 30 September 2017. This has been added to the tax charge on exceptional and other items relating solely to the first half year to determine the total tax charge for the six months ending 30 September 2017.

The Group’s tax rate is substantially impacted by the claims for R&D relief in certain territories, leading to an overall negative effective rate.

6 Provisions

	Retirement/ Leavers Provision £000	Warranty Provision £000	Dilapidation Provision £000	Onerous Lease Provision £000	Restructuring Provision £000	Total £000
At 1 April 2017	681	42	541	513	258	2,035
Foreign exchange movement	21	1	-	5	8	35
Utilised during the period	-	-	(62)	(151)	(161)	(374)
Release in the period	(11)	(37)	-	(77)	-	(125)
At 30 September 2017	691	6	479	290	105	1,571
At 1 April 2016	644	54	541	234	-	1,473
Foreign exchange movement	64	5	-	-	-	69
Arising during the period	-	-	-	-	1,104	1,104
Utilised during the period	-	-	-	(41)	-	(41)
Release in the period	(91)	-	-	-	-	(91)
At 30 September 2016	617	59	541	193	1,104	2,514
At 1 April 2016	644	54	541	234	-	1,473
Foreign exchange movement	57	5	-	-	-	62
Arising during the year	-	-	-	165	258	423
Unwinding of discount	-	-	-	7	-	7
Reassessment in the year	(20)	(17)	-	107	-	70
At 31 March 2017	681	42	541	513	258	2,035
At 30 September 2017						
Included in current liabilities	-	-	-	290	105	395
non-current liabilities	691	6	479	-	-	1,176
	691	6	479	290	105	1,571
At 30 September 2016						
Included in current liabilities	41	59	-	-	1,104	1,204
non-current liabilities	576	-	541	193	-	1,310
	617	59	541	193	1,104	2,514
At 31 March 2017						
Included in current liabilities	-	42	-	124	258	424
non-current liabilities	681	-	541	389	-	1,611
	681	42	541	513	258	2,035

The retirement/ leavers provision relates to statutory requirements in France and Italy to pay amounts to retiring/ leaving employees under certain circumstances. There is no general assumption that employees will leave within the next 12 months.

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

The dilapidations provision relates to two leased buildings in Boldon, UK. At its earliest, one building will be required to be settled in July 2020, at the first break point in a 15-year lease signed in February 2015. Due to the advanced stage of negotiations with a replacement tenant for the surplus building, management feel there is a high degree of certainty over the dilapidation obligation required to be settled in this financial year. The discounted expected future cash flows to restore the buildings amounted to £479,000 at the balance sheet date.

The onerous lease provision relates to the unused proportion of the leased buildings in Boldon following the decision taken in the year ending 31 March 2016 to move automated immunoassay related activities to the Liege site. The discounted expected future lease payments to be paid up to July 2020 amounted to £184,000 at the balance sheet date, a reduction from the year ending 31 March 2017 expected future lease payments, as management are currently finalising the exit of the lease.
The remainder of this onerous lease provision relates to the unused proportion of the leased sales office in Paris following the restructure in IDS France in the year ending 31 March 2017. The expected future lease payments to be paid up to 31 July 2018 amounted to £106,000 at the balance sheet date.

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

7 Share Capital

	6 Months ended 30 Sept 2017	6 Months ended 30 Sept 2016	Year ended 31 March 2017
	£000	£000	£000
Equity Shares			
Authorised:			
75,000,000 Ordinary Shares of £0.02 each at 30 Sept 2017, 31 March 2017 and 30 September 2016	1,500	1,500	1,500
Share Capital			
Allotted, called up and fully paid: 29,411,297 (30 September 2016: 29,415,175, 31 March 2017: 29,415,175) Ordinary shares of 2p each (excluding own shares held)	588	588	588
Own shares held of 2p each 3,878 (30 Sep 2016: nil, 31 March 2017: nil)	-	-	-
	588	588	588
Share Premium			
Balance brought forward and carried forward	32,263	32,263	32,263

8 Financial assets and financial liabilities

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

9 Interim results

These results were approved by the Board of Directors on Friday 24 November 2017. Copies of this unaudited interim report will be available to the public from the Group's registered office and www.idsplc.com.