23 November 2018

Immunodiagnostic Systems Holdings PLC
Unaudited Interim Results for the six month period ended 30 September 2018

Summary of Group Results

£m	H1 2019	H1 2018	H1 2017	LFL* Change % H1 2019 v H1 2018	LFL* Change % H1 2018 v H1 2017
Group Revenue	18.5	18.7	19.5	0%	(11%)
Automated Business Revenue	10.8	11.6	9.9	(6%)	8%
Manual Business Revenue	6.1	6.0	6.2	2%	(10%)
Technology Business Revenue	1.6	1.0	3.3	51%	(71%)
Adjusted** EBITDA	1.9	3.4	4.2	(44%)	(19%)
(Loss)/Profit from Operations	(0.2)	1.1	0.9		
Closing Cash and Cash Equivalents	27.8	29.7	28.7		

* Like for like 'LFL' numbers have been restated to remove the impact of foreign exchange movements in the year by restating the H1 2018 and H1 2017 performance using the exchange rates during H1 2019.

** Before exceptional credit of £43k (H1 2018: credit of £0.1m; FY 2018: cost of £0.5m) – see reconciliation in the Financial Review section.

Key Business Developments H1 2019

In H1 2019, total Group revenue was £18.5m. While these reported revenues represent a decline of 1% versus H1 2018, on a constant currency and scope basis ("LFL"), the revenues were flat compared to the comparable period. This represents a significant improvement in trajectory versus the comparable period when Group LFL revenue declined by 11% half on half..

Underlying the stable group revenue number, we witnessed more pronounced fluctuations in each of our business units. Encouraging growth in our Manual and Technology business units largely offset a disappointing decline in our Automated business unit revenues, which declined 6% on a LFL basis. The reasons behind these movements are set out in the accompanying Chief Executive's Statement.

Adjusted EBITDA, our core metric for underlying profitability, dropped from £3.4m to £1.9m due to the mix change in the IDS business. Within both our Automated and Manual business units, a greater proportion of our sales came via distribution channels, which have a lower gross margin than our direct sales channels. Similarly, we have seen a greater proportion of sales in our Technology business, which has lower gross margins than our assay businesses as it only encompasses the sale of our hardware and consumables to OEM customers.

Key Operational KPIs

Our key operational KPIs are summarised below, with further details provided in the Chief Executive's Statement:

	H1 2019	H1 2018	H1 2017
Gross Instrument Placements – Direct Territories [1]	15	18	15
Instrument Returns	(12)	(9)	(10)
Net Instrument Placements – Direct Territories	3	9	5
Instrument Sales – Distribution Territories [2]	13	17	2
Total Gross Instrument Sales / Placements [1]+[2]	28	35	17
Average Assays Per Instrument	4.8	4.3	3.9
New Assay Launches	0	1	1
Annualised revenue per employee £000's	130	130	129

The movements in these KPIs are:

a) Gross and net placement of new instruments in direct sales territories declined versus H1 2018. Our European business performed strongly, but this was offset by a large number of returns in the US market.

b) Sales of instruments to our distributors showed a decline versus H1 2018, however remain at levels above historical averages, reflecting the focus we are putting on our distribution markets.

c) The average number of assays on our instruments in direct sales territories increased from 4.3 at 30 September 2017, to 4.8 at 30 September 2018.

d) In terms of overall efficiency, annualised revenues per full time employee ("FTE") remained at £130,000 per employee.

Team Changes

As announced in our 2018 Annual Report and Accounts, Roland Sackers and Till Campe stepped down from their roles as Non-Executive Directors on 30 June 2018. We would like to thank both Roland and Till for their valuable contributions during their time at IDS.

There have been no changes to the IDS Executive Team during the period.

Jaap Stuut, CEO of IDS, commented:

"The key commercial metrics in our Automated business have not yet evolved as we had hoped. I view our limited US assay panel and a delay in new endocrine assay releases in Europe as the main reasons, and we have initiated steps to address these issues. On the positive side we have substantially completed the rebuilding of the sales team in Europe, and I am confident the performance of the Automated business will improve during the second half of the year. Meanwhile, the performance in both our Manual and Technology businesses has been encouraging, with the Manual Business showing growth for the first time in many years. As a result, IDS maintains its existing guidance that in FY 2019 we will be able to generate like for like revenue growth."

Notes:
Immunodiagnostic Systems Holdings PLC ("IDS" or "the Group") is a specialist producer of manual and automated diagnostic testing kits and instruments for the clinical and research markets.

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Chief Executive's Statement

Overview

On a like for like basis ("LFL") Group revenue was constant versus H1 2018. Growth in our Manual and Technology businesses was offset by a decline in our Automated business.

Below is a discussion of the main developments and actions taken in our business units during the period:

1. Automated Business

1.1 Revenue Performance

				LFL Change %	
	H1 2019 £000	H1 2018 £000	H1 2017 £000	H1 19 v H1 18	H1 18 v H1 17
25-OH Vitamin D	2,839	3,317	3,239	(12%)	(3%)
Speciality - IDS	6,679	6,920	5,889	(2%)	8%
Speciality - Partners	569	488	342	17%	47%
Instrument Sales & Service	714	879	441	(26%)	66%
Total	**10,801**	**11,604**	**9,911**	**(6%)**	**8%**

In the current period, revenue showed a decline in this segment by 6% on a LFL basis due to the following reasons:

- 25-OH Vitamin D: revenue declined due to a reduction in 25-OH Vitamin D assay volumes arising mainly from analyser returns in the US;
- Speciality – IDS: revenues declined due to a small number of machine returns from customers running one speciality assay;
- Specialty – Partners: revenue encompasses the sales of assays developed by IDS's partners and marketed under the IDS brand. Revenue in this segment grew by 17% on a LFL basis.

1.2 Sales Process

In this period, we focussed our attention on our **European sales organisation** and have now substantially completed the rebuilding of this team. We have enhanced our previous structure through the recruitment of a number of Clinical Application Specialists ("CAS"). These are individuals who have a deep commercial and technical understanding of our newly introduced autoimmunity and infectious diseases panels. They typically visit customers jointly with our sales representatives to address the specific technical, clinical and workflow issues at each sales opportunity and define a solution which meets the customer´s needs. First results of this team-based sales approach are encouraging.

Despite the efforts put into enhancing our **US sales team**, we have not yet seen these efforts reflected in improved revenue performance within the region. This is mainly due to the increased challenges associated with our limited menu of only 10 FDA-cleared assays. This makes it more difficult to renew analyser placements at the end of their contract and win new customers. In the period we have strengthened our regulatory affairs team to accelerate our FDA registration process and thus increase our US assay menu, through registration of both endocrinology and autoimmune assays, which will impact the medium-term performance of the region. Additionally, we are concentrating on qualifying early stage opportunities diligently to ensure our sales team focuses on accounts with a high conversion potential.

Further progress has been made within our **distribution channel** by the dedicated team we set up during the prior year to grow income in these territories. Assay revenues have increased by over 10% half on half, though income from instrument sales has declined. We have a good pipeline of sales opportunities and are confident that by the end of the year we will be able to match or exceed the 36 instrument sales the distribution channel achieved in FY 2018.

1.3 Assay Development and Product Registration

Disappointingly we did not release any new IDS Speciality (Endocrinology) assays during the period due to our R&D department focussing on optimising a part of our existing portfolio of assays. We are targeting the release of two or three assays during H2, which would be below our target of at least four assay launches per annum.

On the product registration side, we did not receive FDA approval for any new assays. We have identified a need to strengthen our capabilities in this area and have been recruiting accordingly. We are confident of increasing our US assay panel by at least one assay during H2.

During H1 2019 we obtained CE marking under the IDS brand for all our Autoimmune and the majority of our Infectious Disease assay ranges, which in total comprise 51 assays. Hence these assays are now available to sell throughout the EU. We are now in the process of obtaining the approvals required to sell these assays into our key distribution territories and expect to have these in place during H2.

Additionally, during H1 we successfully CE marked the first 59 Allergy assays obtained from our partner Omega Diagnostics. We expect to see the first opportunistic sales from this panel during H2.

At the end of H1, we had 132 assays available for sale with a CE mark and believe our endocrinology and autoimmune menus are now close to having critical mass. We are now focussing on converting this opportunity into sales and profits.

1.4 Assays per Instrument

Average assays being run on each instrument stands at 4.8, versus 4.3 at 30 September 2017. This metric has improved marginally versus the 4.7 assays per machine at 31 March 2018. With our new assay panels, we expect to be able to continue to increase this metric moving forward through further assay upsells. A reasonable goal would be to achieve an average of seven assays by the end of FY 2020.

1.5 Instrument Placements

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

	H1 2019	H2 2018	H1 2018	H2 2017	H1 2017
Direct Gross Placements [1]	15	16	18	25	15
Direct Returns	(12)	(16)	(9)	(14)	(10)
Direct Net Placements	3	0	9	11	5
Sales to Distributors [2]	13	19	17	10	2
Total Analyser sales [1] +[2]	28	35	35	35	17

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 US, Europe (excluding distributor territories of Spain and Italy) and Brazil.

Gross direct instrument placements fell to 15 in this half, from 18 in H1 2018.

- Europe performed satisfactorily with 14 gross and 11 net placements.
- We were not able to place any machines in the US during the half, yet had nine returns.

Sales of instruments within our distribution network have fallen to 13 (H1 2018: 17). At the end of H1 we have a strong pipeline of potential instrument sales within our distribution channels for H2, and as noted earlier we target to at least match the FY 2018 performance of 36 instrument sales.

Average revenue per direct instrument (“ARPI”) was £52,000 per annum (calculated on a rolling 12-month basis) (H1 2018: £56,000).

1.6 IDS-i10 analyser

The IDS-i10 analyser (formerly iSYS2) has now been validated for use in the US. It was launched at the AACC trade show in Chicago in August 2018 and we expect to place new systems in the US during H2 2019.

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 as it creates less waste. The feedback we receive from customers who inspect the machine at trade shows continues to be positive.

2. Manual Business

				LFL Change %	
	H1 2019 £000	H1 2018 £000	H1 2017 £000	H1 19 v H1 18	H1 18 v H1 17
25-OH Vitamin D	556	660	1,130	(15%)	(45%)
Other Speciality - IDS	2,524	2,495	2,759	2%	(11%)
Other Speciality - Purchased	987	924	810	9%	(3%)
Diametra	2,069	1,932	1,533	6%	18%
Total	**6,136**	**6,011**	**6,232**	**2%**	**(10%)**

2.1 Revenue Performance

The Manual business performed strongly in H1 2019, delivering 2% LFL growth, after several years of decline. Encouragingly this growth was seen across all product lines, except for 25-OH Vitamin D, which continues to decline due to conversion of more of the market to automated solutions.

2.2 Sales Process

The head of our Manual business unit has been in place for almost a year, and the full commercial team for around nine months. This team have focussed on several areas to improve the performance of the business:

- Reactivating dormant customer accounts;
- Providing better support to our existing distributors to help them successfully sell and market our product range;
- Signing up new distributors in geographies where we previously were not represented;
- Negotiating OEM deals, where we provide antibodies or kits to third parties in a "white label" format; and
- Increasing our focus on winning business with research organisations ("RUO").

Our full year aim continues to be to stabilise the full year results of the Manual business compared to the previous year on a LFL basis. We have made a good start to achieving this goal during the first half.

3. Technology Business

				LFL Change %	
	H1 2019 £000	H1 2018 £000	H1 2017 £000	H1 19 v H1 18	H1 18 v H1 17
Royalty Income	35	69	1,977	(42%)	(97%)
Technology Income	1,523	973	1,342	57%	(33%)
Total	**1,558**	**1,042**	**3,319**	**51%**	**(71%)**

3.1 Revenue Performance

On a LFL basis, revenues in this business unit increased by 51% compared to the same period last year, albeit from a low base. The increase in the Technology business was driven by large volume orders for analysers by one OEM partner, as they prepare for the commercial launch of their product offering. As communicated previously, short-term revenues in this business unit will be dependent on the success of this OEM partner's product launch.

3.2 Main Actions Taken During the Reporting Period

We continue in negotiations with several newly identified and interested parties to supply them with analysers and ancillaries, upon which they will automate their existing manual assays. We always carefully consider the fields in which the customer can develop automated assays, to ensure we don't create additional competition against the differentiating endocrinology assays in our Automated business unit portfolio. Any new deals would only materially impact revenue in the mid-term, due to the lead-time required for any customer to convert their assays onto the IDS analysers.

4. Talent and People Management

4.1 Leadership and Values

We recognise the importance of ensuring that we continually improve the way we lead and motivate our people, to enable them to deliver the strategic direction and plans defined at the Board level.

As set out in the 2018 Annual Report and Accounts, we have worked hard to create a framework which sets out the **Company Values**, which all IDS staff should adopt. Ensuring that we have consistent principles and values across the IDS Group will enable us to work better as a team and across boundaries and thus deliver improved business performance. Our IDS company values are becoming integrated as part of our day-to-day lives.

Further progress has been made in embedding our **Leadership Principles** into our global leadership team via a series of group workshops and one-on-one mentoring. At the core is the principle that each undertaking should have defined goals and timelines, and the leaders have undivided responsibility to ensure that they are reached. Any deviations should be communicated and escalated early, followed by a rigorous root cause analysis and set of actions. Feedback by our managers on the activities undertaken during the period has been mostly positive. We are actively working upon putting in place career development plans to motivate and retain our performing employees with leadership responsibilities.

We will continue to invest in our employees during H2. Activities will include rolling out leadership training and guidance to a wider group of senior employees, and reinforcement of our company values through a "lead by example" approach. We have also established a regular newsletter to all staff which reinforces these values and principles.

4.2 Employee Engagement

As a result of the latest engagement survey performed in February 2018 we have worked in functional teams to identify and implement specific improvements to improve our employee engagement. The engagement survey will be repeated in February 2019. We are targeting an improvement in the ratio of engaged: disengaged employees from 2.4:1 to 2.8:1 by March 2019.

Financial review

Group revenues were £18.5m, a decrease of 1% compared to the revenues of £18.7m recorded in H1 2018. LFL revenues remained constant from the prior half year.

Adjusted EBITDA (before exceptional items) was £1.9m, a reduction of £1.5m compared to H1 2018. This reduction in EBITDA was driven by a declining gross margin, due to the mix change in the IDS business.

The Group generated free cash flow to equity, being cash flow before returns to shareholders, of £1.1m (H1 2018: outflow of £0.6m).

A. SUMMARY OF INCOME STATEMENT

	H1 2019	H1 2018	FY 2018
	£000	£000	£000
Revenue	**18,495**	18,657	37,947
Gross profit	**7,892**	9,193	18,013
Gross margin	***42.7%***	*49.3%*	*47.5%*
Sales and marketing	**(4,553)**	(4,561)	(9,371)
Research and development	**(1,274)**	(920)	(1,677)
General and administrative expenses	**(2,331)**	(2,728)	(5,503)
Total operating costs	**(8,158)**	(8,209)	(16,551)
Exceptional items	**43**	146	(515)
(Loss)/profit from operations	**(223)**	1,130	947
Add back			
Depreciation and amortisation	**2,159**	2,424	4,561
Exceptional items	**(43)**	(146)	515
Adjusted EBITDA	**1,893**	3,408	6,023

A1 Foreign Exchange

In contrast to previous periods, movements in foreign exchange rates versus Pounds Sterling have not had a material impact on the Group's results versus H1 2018. The impact of a weaker US Dollar was offset by a stronger Euro. During the period, IDS revenues were adversely impacted by around £0.1m because of FX movements when compared to H1 2018, with minimal impact at the EBITDA level.

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

Average exchange rates	**H1 2019**	**H1 2018**	**FY 2018**
Pounds Sterling: US Dollar	**1.34**	1.29	1.33
Pounds Sterling: Euro	**1.13**	1.14	1.14

In the period, 65% (H1 2018: 66%) of the Group's revenues were in Euros, and 21% (H1 2018: 23%) were denominated in US Dollars.

A2 Gross Profit

Gross profit was £7.9m (H1 2018: £9.2m) implying a gross margin of 42.7% (H1 2018: 49.3%). The decline in gross margin is largely due to the mix change in the IDS business. Within both our Automated and Manual business units, a greater proportion of our sales come via distribution channels, which have a lower gross margin than our direct sales channels. Similarly, we have seen a greater proportion of sales in our Technology business, which has lower gross margins than our assay businesses.

We target a sustainable gross margin of over 50%, which we aim to meet from FY21. A large amount of our anticipated margin increase will be realised by the operational gearing effects resulting from delivering increases in revenue with the existing operational headcount and fixed cost base. In addition, we are implementing a number of projects focused on improving our margin as set out below:

- Reviewing sales prices in our distribution markets, which are becoming an increasingly important part of our business;
- Reviewing the efficiency of our operational footprint, both in terms of headcount and the level of material wastage; and
- Increasing the shelf life of our assays, which reduces the number of batches we need to make and hence increases operational efficiency.

A3 Operating costs

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

	H1 2019 £000	**% revenue**	**H1 2018 £000**	**% revenue**
Sales & marketing	(4,553)	24.6%	(4,561)	24.4%
Research & development	(1,274)	6.9%	(920)	4.9%
General & administrative expenses	(2,331)	12.6%	(2,728)	14.6%
Operating costs (pre-exceptional)	**(8,158)**	44.1%	(8,209)	43.9%

Total spend on operating costs has remained flat at £8.2m (H1 2018: £8.2m), with increased investment in key areas of the business offsetting cost savings achieved through simplification of operations and rationalisation of general and administrative expenses. Operating expenses are 44.1% of revenue (H1 2018: 43.9%).

Sales and marketing costs have remained constant year on year. Costs increased because of the creation of the Manual Business unit team (which was not formed until H2 2018) and the recruitment of several Clinical Application Specialists in our European region. These were offset by savings as a result of closing our Milan and Paris sales offices. We believe the spending rate of circa. 25% of revenues is in line with peers and our strategic aims.

Gross Research and development costs, before capitalisation of £1.2m (H1 2018: £1.2m) have increased by £0.4m to £2.5m (H1 2018: £2.1m). This is largely due to higher third-party costs and non-exceptional redundancy costs.

General and administrative expenses have reduced due to lower headcount, along with the payment of non-exceptional redundancy costs in H1 2018. These costs as a percentage of revenue improved to 12.6%, thus we are moving closer to our mid-term target of 10%.

We continue to review our operating cost base, with a focus on both reducing the overall cost base as well as ensuring we focus more of our resources on customer facing activities. From FY21 onwards we target an operating cost base of less than 40% of group revenues.

A4 Exceptional items

Exceptional items during the current and previous financial periods comprise:

	H1 2019 £000	H1 2018 £000
Restructuring costs	**43**	146

The exceptional credit in H1 2019 relates to the release of an unused redundancy provision for the closure of our sales offices in the prior year, while in H1 2018 the credit related to the release of an onerous lease provision booked in previous years.

While there have been redundancy costs in H1 2019, these have been reflected in non-exceptional operating costs as they have not related to strategic restructuring projects.

A5 Finance expense/income

Net finance expense was £0.3m (H1 2018: income £0.1m) and relates mainly to foreign exchange gains and losses on intercompany funding and cash balances.

A6 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 42% (H1 2018: -14%) giving a tax credit of £218k (H1 2018: credit of £174k). Before exceptional items, prior year adjustments and the effect of rate changes on deferred tax balances, the effective rate is 48% (H1 2018: -21%).

A7 Earnings per share

Adjusted (loss)/earnings per share is calculated using profit after tax adjusted to exclude the after-tax effect of exceptional items. Basic earnings per share are -1.0p (H1 2018: 4.9p). Adjusted basic earnings per share are -0.9p (H1 2018: 4.5p). A reconciliation of these amounts is given in note 5.

A8 Segmental analysis

As a result of the completion of the implementation of our Syteline ERP system in our main trading entities, we are pleased to now be able to produce a segmental analysis to EBITDA level for the three business units. This is set out in Note 3. Each of the IDS business segments currently provide a positive contribution to the Group EBITDA, after the allocation of central head office functional costs.

B. HEADCOUNT

A summary of IDS headcount by function is given below:

Headcount (FTE basis)	**30 Sept 18**	**31 Mar 18**	**30 Sept 17**
Operations	130	128	128
Sales and Marketing	81	77	79
thereof field sales force & CAS	*25*	*23*	*24*
Research and Development	41	40	44
General and administrative	34	36	36
Total	**286**	**281**	**287**

Annualised revenue per employee for the six-month period ending 30 September 2018 remained constant at £130,000 per FTE (H1 2018: £130,000).

C. SUMMARY OF BALANCE SHEET

C1 Equity

The Group's net assets at 30 September 2018 are £55.5m (30 September 2017: £57.2m).

C2 Working Capital

The Group net working capital requirements remained largely in line with those at 31 March 2018. The net cash flow impact in the period was a £0.1m inflow. Trade debtor days increased to 63 days from 56 days at 31 March 2018.

D. SUMMARY OF CASH FLOW STATEMENT

A summary of the Group's cashflow is set out below:

	H1 2019 £000	H1 2018 £000	FY 2018 £000
(Loss) / profit before tax	**(523)**	1,254	935
Depreciation and amortisation	**2,159**	2,424	4,561
Income taxes received / (paid)	**1,052**	(163)	(140)
Other adjusting items	**136**	(554)	(476)
Movements in working capital	**149**	(1,612)	(2,364)
Cash generated from operating activities	**2,973**	1,349	2,516
Cash used in investing activities	**(1,822)**	(1,813)	(3,870)
Cash used in financing activities	**(1,932)**	(1,369)	(1,406)
Net decrease in cash and cash equivalents	**(781)**	(1,833)	(2,760)
Add back			
Share buy back	**1,358**	12	147
Dividend	**500**	1,177	1,177
Free cash flow to equity	**1,077**	(644)	(1,436)

Cash generated from operating activities improved to £3.0m (H1 2018: £1.3m). The lower profit was offset by favourable working capital movements and income tax receipts related to R&D tax rebates. As a result, free cash flow to equity improved to £1.1m (H1 2018: outflow of £0.6m). During the period the group returned £1.9m (H1 2018: 1.2m) to shareholders by way of dividends and share buy backs. The share buy back scheme has purchased a total of 666,078 shares.

As at 30 September 2018, the Group's cash and cash equivalents are £27.8m (30 September 2017: £29.7m; 31 March 2018: £28.5m).

E. BREXIT

In common with most UK businesses, we view the impending Brexit deadline and increasing likelihood of a deal not being approved by the UK parliament with increasing concern. Our key area of focus in the event of "no deal" is on ensuring that we will be able to continue to service our customers through the Brexit date of 29 March 2019.

To this end we will make sure we have the appropriate stock levels of finished products at our hub locations in both the EU and UK, to mitigate the risk of delays in transferring product across the UK/EU border. We are also reviewing our key supply lines and will build up greater inventory of product in our manufacturing sites where the supply needs to cross the UK/EU border. However, both of these exercises are complicated by the relatively short shelf life of the finished goods and raw materials used in IDS products.

We do not believe any devaluation in Pounds Sterling will pose a material risk to the business, as this tends to improve the overall profitability of the Group. Similarly, we are not currently aware of any short-term regulatory risk which would arise as a result of a "no deal" Brexit.

F. OUTLOOK

Our target for FY 2019 continues to be returning the business to revenue growth on a LFL basis, for the first time since FY14. We aim to achieve this primarily through growth of our Manual business, additional sales of automated products via distributors, and accelerated growth of our Autoimmune and Infectious Disease panels. However, these gains will be offset by an anticipated decline in our US business as new FDA approvals will not become effective for revenues in this financial year. Nevertheless, with the significant effort being put in by the team at IDS, we maintain this revenue guidance.

Unaudited consolidated interim income statement

For the six month period to 30 September 2018

	Note	6 Months ended 30 Sept 2018	6 Months ended 30 Sept 2017	Year ended 31 March 2018
		£000	£000	£000
Revenue	**2, 3**	**18,495**	**18,657**	**37,947**
Cost of sales		(10,603)	(9,464)	(19,934)
Gross profit		**7,892**	**9,193**	**18,013**
Sales and marketing		(4,553)	(4,561)	(9,371)
Research and development		(1,274)	(920)	(1,677)
General and administrative expenses		(2,331)	(2,728)	(5,503)
Operating costs pre-exceptional items		(8,158)	(8,209)	(16,551)
Restructuring costs		43	146	(515)
Total exceptional items	4	43	146	(515)
Operating costs		**(8,115)**	**(8,063)**	**(17,066)**
(Loss)/profit from operations		**(223)**	**1,130**	**947**
Finance income		69	258	128
Finance costs		(369)	(134)	(140)
(Loss)/profit before tax		**(523)**	**1,254**	**935**
Income tax credit	6	218	174	292
(Loss)/profit for the period attributable to owners of the parent		**(305)**	**1,428**	**1,227**
(Loss)/earnings per share				
From continuing operations				
Adjusted basic	5	(0.9p)	4.5p	5.7p
Adjusted diluted	5	(0.9p)	4.5p	5.7p
Basic	5	(1.0p)	4.9p	4.2p
Diluted	5	(1.0p)	4.8p	4.2p

Unaudited interim statement of other comprehensive income
For the six month period to 30 September 2018

	6 Months ended 30 Sept 2018 £000	6 Months ended 30 Sept 2017 £000	Year ended 31 March 2017 £000
(Loss)/Profit for the period	**(305)**	**1,428**	**1,227**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences	780	228	147
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before and after tax	**780**	**228**	**147**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit plan	(56)	13	(3)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, before tax	**(56)**	**13**	**(3)**
Tax relating to other comprehensive income to be reclassified to profit or loss in subsequent periods	14	-	-
Other comprehensive income, net of tax	**738**	**241**	**144**
Total comprehensive income for the period attributable to owners of the parent	**433**	**1,669**	**1,371**

Unaudited consolidated interim balance sheet
As at 30 September 2018

	Note	30 September 2018 £000	30 September 2017 £000	31 March 2018 £000
Assets				
Non-current assets				
Property, plant and equipment		7,191	7,877	7,467
Other intangible assets		11,138	10,777	10,993
Deferred tax assets		328	524	377
Other non-current assets		357	340	351
		19,014	19,518	19,188
Current assets				
Inventories		8,308	8,736	8,378
Trade and other receivables		7,731	7,239	8,369
Income tax receivable		2,523	2,518	3,073
Cash and cash equivalents		27,752	29,652	28,533
		46,314	48,145	48,353
Total assets		65,328	67,663	67,541
Liabilities				
Current liabilities				
Short-term portion of long-term borrowings		81	80	80
Trade and other payables		5,856	6,590	6,693
Income tax payable		284	192	58
Provisions	7	53	395	243
Deferred income		129	154	190
		6,403	7,411	7,264
Net current assets		39,911	40,734	41,089
Non-current liabilities				
Long-term portion of long-term borrowings		1,176	1,245	1,201
Provisions	7	1,241	1,176	1,108
Deferred tax liabilities		1,049	611	1,096
		3,466	3,032	3,405
Total liabilities		9,869	10,443	10,669
Net assets		**55,459**	**57,220**	**56,872**
Total equity				
Called up share capital	8	589	588	589
Share premium account	8	32,345	32,263	32,345
Other reserves		5,945	5,246	5,165
Retained earnings		16,580	19,123	18,773
Equity attributable to owners of the parent		**55,459**	**57,220**	**56,872**

Unaudited consolidated interim cash flow statement

For the six month period to 30 September 2018

	6 Months ended 30 Sept 2018 £000	6 Months ended 30 Sept 2017 £000	Year ended 31 March 2018 £000
(Loss)/profit before tax	(523)	1,254	935
Adjustments for:			
Depreciation of property, plant and equipment	1,055	1,452	2,416
Amortisation of intangible assets	1,104	972	2,145
Loss on disposal of property, plant and equipment	8	7	44
Share based payment expense	12	8	10
Finance income	(69)	(162)	(128)
Finance costs	369	38	140
Other exceptional items	(43)	(146)	515
Operating cash flows before movements in working capital	1,913	3,423	6,077
Decrease/(increase) in inventories	208	(1,063)	(759)
Decrease/(increase) in receivables	755	457	(754)
Decrease in payables and provisions	(814)	(1,006)	(851)
Cash generated by operations	2,062	1,811	3,713
Cash outflow related to exceptional costs	(141)	(299)	(1,057)
Income taxes received/(paid)	1,052	(163)	(140)
Net cash from operating activities	**2,973**	**1,349**	**2,516**
Investing activities			
Purchases of other intangible assets	(1,221)	(1,204)	(2,639)
Purchases of property, plant and equipment	(822)	(894)	(1,734)
Disposals of property, plant and equipment	152	123	375
Interest received	69	162	128
Net cash used by investing activities	**(1,822)**	**(1,813)**	**(3,870)**
Financing activities			
Proceeds from issue of shares for cash	-	-	83
Repayments of borrowings	(41)	(46)	(86)
Interest paid	(33)	(134)	(79)
Dividends paid	(500)	(1,177)	(1,177)
Purchase of own shares	(1,358)	(12)	(147)
Net cash used by financing activities	**(1,932)**	**(1,369)**	**(1,406)**
Net decrease in cash and cash equivalents	**(781)**	**(1,833)**	**(2,760)**
Effect of exchange rate differences	**-**	**(10)**	**(202)**
Cash and cash equivalents at beginning of period	28,533	31,495	31,495
Cash and cash equivalents at end of period	**27,752**	**29,652**	**28,533**

Unaudited consolidated statement of changes in equity

	Share capital	Share premium account	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000
At 1 April 2018	589	32,345	5,165	18,773	56,872
Loss for the period	-	-	-	(305)	(305)
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	780	-	780
Remeasurement of defined benefit plan	-	-	-	(42)	(42)
Total comprehensive income	-	-	780	(347)	433
Transactions with owners					
Share-based payments	-	-	-	12	12
Dividends paid	-	-	-	(500)	(500)
Purchase of own shares	-			(1,358)	(1,358)
At 30 September 2018	589	32,345	5,945	16,580	55,459
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
Dividends 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 2017	588	32,263	5,018	18,863	56,732
Profit for the year	-	-	-	1,227	1,227
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	147	-	147
Remeasurement of defined benefit plan	-	-	-	(3)	(3)
Total comprehensive income	-	-	147	1,224	1,371
Transactions with owners					
Share-based payments	-	-	-	10	10
Dividends paid	-	-	-	(1,177)	(1,177)
Shares issued in the year	1	82	-	-	83
Purchase of own shares	-	-	-	(147)	(147)
At 31 March 2018	589	32,345	5,165	18,773	56,872

Notes to the Interim Financial Statements

For the six month period to 30 September 2018

1 Basis of preparation

The unaudited condensed financial statements for the six months ended 30 September 2018 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 2018. 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 & Accounts for the year ended 31 March 2018 that are described on pages 57 to 65 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.

New standards or interpretations effective for the financial year ending 31 March 2019 are as follows:-

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; and
- Amendments to IFRS 2 Classification and Measurement of Share Based Payment Transactions.

None of these new standards or interpretations have a material effect on the half-year results.

The financial information for the six months ended 30 September 2018 is not reviewed by Ernst & Young LLP and accordingly no opinion has been given. The comparative financial information for the year ended 31 March 2018 has been extracted from the 2018 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 2018, which were approved by the Board of Directors on 19 June 2018, 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.

2 Revenue

An analysis of the Group's revenue split by the key product types is as follows:

	H1 2019 £000	H1 2018 £000	FY 2018 £000
25-OH vitamin D	**2,839**	3,317	6,322
Other speciality - IDS	**6,679**	6,920	14,590
Other speciality - purchased	**569**	488	1,012
Instrument sales	**714**	879	1,964
Total automated	**10,801**	11,604	22,876
Automated revenue comprises:			
Operating lease rental	**2,460**	2,446	4,905
Reagent revenue	**8,341**	9,158	17,971
25-OH vitamin D	**556**	660	1,450
Other speciality - IDS	**2,524**	2,495	4,845
Other speciality - purchased	**987**	924	1,851
Diametra	**2,069**	1,932	4,215
Total manual	**6,136**	6,011	12,361
Technology	**1,558**	1,042	2,710
Total revenue	**18,495**	18,657	37,947
Finance income	**69**	258	128

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

3 Segmental information

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

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.

In prior periods, the Group has reported only one segment, being the whole business. Analysis of revenue has always been reported and monitored on the basis of the three segments noted below, however due to the structure of the business and the financial systems in place, operating profit could not be determined for these segments. As a result of a simplification of the Group and an improvement in systems, IDS is now able to report to an adjusted EBITDA level for the three segments shown in Note 3. This is monitored by the chief operating decision-maker quarterly. Comparatives for H1 2018 and FY 2018 have been derived on a consistent basis with the results for H1 2019.

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

	Automated Unaudited 30 September 2018 £000	Manual Unaudited 30 September 2018 £000	Technology Unaudited 30 September 2018 £000	Total Unaudited 30 September 2018 £000
Revenue	**10,801**	**6,136**	**1,558**	**18,495**
Cost of Sales	(4,280)	(3,589)	(1,096)	(8,965)
Gross profit	**6,521**	**2,547**	**462**	**9,530**
Sales and marketing	(3,453)	(856)	(193)	(4,502)
Research and development	(977)	-	(13)	(990)
General and administrative expenses	(1,322)	(627)	(196)	(2,145)
Operating costs pre-exceptional items	**(5,752)**	**(1,483)**	**(402)**	**(7,637)**
Adjusted EBITDA	**769**	**1,064**	**60**	**1,893**
Exceptional items				
Restructuring costs				43
Total exceptional items				43
Depreciation and amortisation				(2,159)
Loss from operations				**(223)**
Finance income				69
Finance costs				(369)
Loss before tax				**(523)**

	Automated Unaudited 30 September 2017 £000	Manual Unaudited 30 September 2017 £000	Technology Unaudited 30 September 2017 £000	Total Unaudited 30 September 2017 £000
Revenue	**11,604**	**6,011**	**1,042**	**18,657**
Cost of Sales	(4,010)	(3,285)	(525)	(7,820)
Gross profit	**7,594**	**2,726**	**517**	**10,837**
Sales and marketing	(3,666)	(608)	(177)	(4,451)
Research and development	(623)	-	(35)	(658)
General and administrative expenses	(1,467)	(699)	(154)	(2,320)
Operating costs pre-exceptional items	**(5,756)**	**(1,307)**	**(366)**	**(7,429)**
Adjusted EBITDA	**1,838**	**1,419**	**151**	**3,408**
Exceptional items				
Restructuring costs				146
Total exceptional items				146
Depreciation and amortisation				(2,424)
Profit from operations				**1,130**
Finance income				258
Finance costs				(134)
Profit before tax				**1,254**

	Automated Unaudited 31 March 2018 £000	Manual Unaudited 31 March 2018 £000	Technology Unaudited 31 March 2018 £000	Total Unaudited 31 March 2018 £000
Revenue	**22,876**	**12,361**	**2,710**	**37,947**
Cost of Sales	(8,248)	(6,499)	(1,756)	(16,503)
Gross profit	**14,628**	**5,862**	**954**	**21,444**
Sales and marketing	(7,192)	(1,567)	(385)	(9,144)
Research and development	(1,431)	-	(124)	(1,555)
General and administrative expenses	(2,858)	(1,425)	(439)	(4,722)
Operating costs pre-exceptional items	**(11,481)**	**(2,992)**	**(948)**	**(15,421)**
Adjusted EBITDA	**3,147**	**2,870**	**6**	**6,023**
Exceptional items				
Restructuring costs				(515)
Total exceptional items				(515)
Depreciation and amortisation				(4,561)
Profit from operations				**947**
Finance income				128
Finance costs				(140)
Profit before tax				**935**

Revenue and costs have been specifically allocated to the segment to which they relate except for central head office functional costs, which have been proportionally allocated based on revenue.

4 Exceptional items

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

	H1 2019	H1 2018	FY 2018
	£000	£000	£000
Restructuring income/(costs)	**43**	146	(515)
Total exceptional items	**43**	146	(515)

In H1 2019, an exceptional credit of £43k was recorded, relating to the reversal of a portion of the redundancy provisions booked in FY 2018.

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 FY 2017.

In the year ended 31 March 2018, exceptional costs related to the closure of our Milan and Paris offices (£0.6m) and senior management severance (£0.1m) which were partially offset by a reversal in the onerous lease provision which was booked to exceptional in previous years. The reversal was necessary due to the renegotiation with the landlord to exit the lease on one of the two leased buildings in Boldon, UK.

5 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 2018, 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 2018	**6 Months ended 30 Sept 2017**	**Year ended 31 March 2018**
	£000	**£000**	**£000**
(Loss)/profit on ordinary activities after tax	(305)	1,428	1,227
	No.	No.	No.
Weighted average no of shares:			
For basic earnings per share	29,284,981	29,413,891	29,411,555
Effect of dilutive potential ordinary shares:			
-Share Options	24,697	61,853	26,224
For diluted earnings per share	29,309,678	29,475,744	29,437,779
Basic (loss)/earnings per share	(1.0p)	4.9p	4.2p
Diluted (loss)/earnings per share	(1.0p)	4.8p	4.2p

	6 Months ended 30 Sept 2018	6 Months ended 30 Sept 2017	Year ended 31 March 2017
	£000	**£000**	**£000**
(Loss)/profit on ordinary activities after tax as reported	(305)	1,428	1,227
Exceptional items after tax	43	(111)	447
Profit on ordinary activities after tax as adjusted	(262)	1,317	1,674
Adjusted basic earnings per share	(0.9p)	4.5p	5.7p
Adjusted diluted earnings per share	(0.9p)	4.5p	5.7p

6 Taxation

The estimated tax rate for the year on profit before exceptional items of 39% (H1 2018: -21%) has been applied to the profit before exceptional items for the six months to 30 September 2018. 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 2018.

The Group's tax rate is substantially impacted by the claims for R&D relief in certain territories.

7 Provisions

	Retirement/ leavers provision £000	Warranty provision £000	Dilapidation provision £000	Onerous lease provision £000	Restructuring provision £000	Total £000
At 1 April 2018	629	7	479	89	147	1,351
Foreign exchange movement	9	-	-	1	2	12
Utilised during the period	(2)	-	-	(90)	(178)	(270)
Reassesment in the period	119	-	-	-	82	201
At 30 September 2018	755	7	479	-	53	1,294
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 2017	681	42	541	513	258	2,035
Foreign exchange movement	19	1	-	5	8	33
Utilised during the year	(83)	-	(75)	(346)	(177)	(681)
Reassessment in the year	57	(36)	13	(83)	58	9
Release in the year	(45)	-	-	-	-	(45)
At 31 March 2018	629	7	479	89	147	1,351
At 30 September 2018						
Included in current liabilities	-	-	-	-	53	53
non-current liabilities	755	7	479	-	-	1,241
	755	7	479	-	53	1,294
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 31 March 2018						
Included in current liabilities	-	7	-	89	147	243
non-current liabilities	629	-	479	-	-	1,108
	629	7	479	89	147	1,351

The retirement/ leavers provision relates to statutory requirements in France, Italy and Belguim 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 related to two leased buildings in Boldon, UK. During the year ended 31 March 2018, IDS were able to negotiate a replacement tenant for the surplus building and is now only using one building in the UK. At its earliest it will be required to be settled in July 2020, at the first 5-year break point in a 15-year lease. During the year IDS settled the dilapidation obligation on the vacated unit. The discounted expected future cash flows to restore the remaining leased building amounted to £479,000 at the balance sheet date.

The onerous lease provision relates to the leased sales office in Paris following the restructure in IDS France in the year ending 31 March 2017 and the subsequent vacation of this office in the year ending 31 March 2018. The office was vacated in May 2018 and the provision was fully utilised.

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.

8 Share Capital

	6 Months ended 30 Sept 2018	6 Months ended 30 Sept 2017	Year ended 31 March 2018
	£000	£000	£000
Equity Shares			
Authorised:			
75,000,000 Ordinary Shares of £0.02 each at 30 September 2018, 31 March 2018 and 30 September 2017	1,500	1,500	1,500
Share Capital			
Allotted, called up and fully paid: 28,784,097 (30 September 2017: 29,411,297, 31 March 2018: 29,396,394) Ordinary shares of 2p each (excluding own shares held)	576	588	588
Own shares held of 2p each 666,078 (30 September 2017: 3,878, 31 March 2018: 53,781)	13	-	1
	589	588	589
Share Premium			
Balance brought forward	32,345	32,263	32,263
Premium on shares issued in the period	-	-	82
Balance carried forward	32,345	32,263	32,345

9 Financial assets and financial liabilities

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

10 Interim results

These results were approved by the Board of Directors on Friday 23 November 2018. Copies of this unaudited interim report will be available to the public from the Group's registered office and www.idsplc.com.