22 November 2019

Immunodiagnostic Systems Holdings PLC
Unaudited Interim Results for the six-month period ended 30 September 2019

Summary of Group Results

£m	H1 FY20	H1 FY19	H1 FY18	LFL* Change % H1 FY20 v H1 FY19	LFL* Change % H1 FY19 v H1 FY18
Group Revenue	18.8	18.5	18.7	0%	0%
Automated Business Revenue	11.0	10.8	11.6	0%	(6%)
Manual Business Revenue	5.7	6.1	6.0	(8%)	2%
Technology Business Revenue	2.1	1.6	1.0	32%	51%
Adjusted** EBITDA	2.9	1.9	3.4	49%	(44%)
Profit /(Loss) from Operations	0.6	(0.2)	1.1		
Closing Cash and Cash Equivalents	28.1	27.8	29.7		

* Like for like 'LFL' numbers have been restated to remove the impact of foreign exchange movements in the period by restating the prior period results using the exchange rates of the current period.

** Before exceptional items of £nil (H1 FY19: credit of £0.1m; H1 FY18: credit of £0.1m) – see reconciliation in the Financial Review section.

Key Business Developments H1 FY20

Total Group revenue was £18.8m in H1 FY20 which represents an increase of 2% versus H1 FY19. On a constant currency and scope basis ("LFL"), the revenues were flat versus the comparative period.

Revenues of the Automated business grew 2% versus H1 FY19 on a reported basis, however remain unchanged versus the prior period on a LFL basis, with growth in our speciality assay panels covering declines in our 25-OH Vitamin D revenues.

Growth in our Technology business of 32% on a LFL basis, offset LFL declines in our Manual business of 8%.

Adjusted EBITDA, our core metric for measuring underlying profitability, increased from £1.9m to £2.9m. This was favourably impacted by an increase in gross margin, a decline in operating costs, and a change in our accounting for leases required by the introduction of a new accounting standard. More details are provided in the Financial Review.

Key Operational KPIs

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

	H1 FY20	H1 FY19
Gross Instrument Placements – Direct Territories [1]	18	15
Instrument Returns	(14)	(12)
Net Instrument Placements – Direct Territories	4	3
Instrument Sales – Distribution Territories [2]	14	13
Total Gross Instrument Sales / Placements [1]+[2]	32	28
Average Assays Per Instrument	5.4	4.8
New Assay Launches	0	0
Annualised revenue per employee £000's	138	130

The KPI's set out above above show positive underlying momentum versus H1 FY19. The exception was instrument returns, which are higher than the prior period mainly due to the loss of one significant customer which ran a single assay across multiple machines. Consequently, we expect instrument returns to be lower in H2 than H1.

Two assays are in the latter phases of development and we expect to launch these with a CE mark in H2 FY20.

Jaap Stuut, CEO of IDS, commented:

"I am pleased to deliver a LFL revenue number in line with the comparable period last year. We have returned our speciality Automated business to growth, which is vital for IDS as this is key to our mid and long-term profitability. Our Manual business declined mainly due to a significant one-off order in the previous year, and we expect a stronger second half performance from this business unit.

Profitability improved significantly versus the comparable period, mainly due to several operational cost saving projects and pricing and upsell initiatives within the sales team gaining traction.

We maintain confidence in achieving our goal of increasing full year revenue on a LFL basis versus FY19."

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.

For further information:

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Chief Executive's Statement

Overview

On a reported basis, Group revenue increased by 2%, however on a LFL basis Group revenue was in line with H1 FY19. Growth in our Automated and Technology businesses was offset by a decline in our Manual 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 FY20 £000	H1 FY19 £000	H1 FY18 £000	H1 FY20 v H1 FY19	H1 FY19 v H1 FY18
25-OH Vitamin D	2,325	2,839	3,317	(20%)	(12%)
Speciality - IDS	7,059	6,679	6,920	5%	(2%)
Speciality - Partners	871	569	488	52%	17%
Instrument Sales & Service	736	714	879	3%	(26%)
Total	**10,991**	**10,801**	**11,604**	**0%**	**(6%)**

In the current period, revenue remained flat on a LFL basis due to the following reasons:

25-OH Vitamin D revenue declined by £0.5m versus H1 FY19, or 20% on a LFL basis. This is a similar absolute rate of decline as seen between H1 FY19 and H1 FY18. The decline is due to a reduction in demand for 25-OH Vitamin D assay volumes in the market and the impact of "Vitamin D only" instrument returns in the US during the second half of FY19.

Speciality - IDS revenue grew by 5% LFL versus H1 FY19, with improved performance across most indication areas, particularly our bone and growth panels, aided by instrument placements at the end of FY19 becoming operational. Q2 saw an improvement in growth trajectory versus Q1, where this business stream declined 2% LFL versus the prior year. We believe we can improve the growth trajectory of this segment as we release new endocrinology assays, which is key to our mid and long-term profitability.

Speciality – Partners revenue encompasses the sales of assays developed by IDS's partners and sold under the IDS brand. These consist of 52 assays in the fields of Autoimmunity and Infectious Disease. Revenue in this segment grew by 52% LFL, a further acceleration in the growth rate compared to the previous year. The autoimmunity panel is an area of focus for IDS. When combined with our legacy endocrinology assays, we have a unique panel in the market which is of interest to laboratories who previously had to run autoimmunity and endocrinology tests on different analysers.

1.2 Instrument Placements

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

	H1 FY20	H2 FY19	H1 FY19	H2 FY18	H1 FY18
Direct Gross Placements [1]	18	22	15	16	18
Direct Returns	(14)	(12)	(12)	(16)	(9)
Direct Net Placements	4	10	3	0	9
Sales to Distributors [2]	14	34	13	19	17
Total Analyser sales [1] +[2]	32	56	28	35	35

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. Returns in H1 FY20 were higher than H1 FY19 mainly due to the loss of one significant customer which ran a single assay across multiple machines.

We have set ourselves an ambitious target to achieve 100 gross new placements (FY19: 84) across our Automated business (direct and distribution) during FY20, which would be the strongest performance since FY13. We have visibility on several large deals in our sales pipeline, which if closed during Q3, should enable us to reach this target.

1.3 Assays per Instrument

Average assays being run on each instrument stands at 5.4, versus 4.8 at 30 September 2018. This reflects uptake of our enlarged assay portfolio which now includes Autoimmune, Infectious Disease and Allergy panels. The greater variety of assays run on our analysers will increase their "stickiness" in laboratories and help to minimise instrument returns in the future. If we continue our current upselling trend, we are on target to achieve our goal of having an average of seven assays per instrument by the end of FY21.

1.4 Sales Process

As noted in our Annual Report & Accounts 2019, we have focused our attention on enhancing our European sales organisation. This new team has bedded into the organisation and have had a number of successes in upselling assays to our existing customers, as well as retaining a number of key accounts whose contracts were retendered during the period. In addition, 16 of the 18 gross placements in H1 FY20 were generated in Europe, and we look forward to continued success in this region in H2.

In the US, we continue to face challenges to improve automated sales performance. This is mainly due to the lack of assays in our portfolio, however we gained FDA approval for an additional assay in the US during H1. We are focusing on expanding our assay menu in the US over the long-term to enable us to reach a menu with critical mass.

1.5 Assay Development and Product Registration

We did not release any new IDS Speciality (Endocrinology) assays during the period, however the R&D team delivered a successful performance improvement to a key existing assay. We have targeted the release of two new assays in the second half of the year, one of which will be developed by a partner. Over the last two years we have improved our underlying development processes, however still need to improve in terms of adhering to development schedules and deliverables. Moving forward our focus will be on ensuring our R&D team has the technical skill set to develop high quality specialised assays, along with the project management skillset to ensure deadlines are met.

On the product registration side, we received FDA approval for one additional assay, however we do not expect any further FDA approvals during FY20. We anticipate at least two further approvals in FY21.

The table below shows the assays available on the IDS analyser range under the IDS brand, split by the main regulatory approvals:

	Sep 19	**Sep 18**
Endocrinology – CE approved	22	22
Endocrinology – FDA approved	11	10
Endocrinology – NMPA approved	4	4
Autoimmune – CE approved	29	29
Infectious Disease – CE approved	23	22
Allergy – CE approved	60	59
Total – CE approved	134	132

2. MANUAL BUSINESS

				LFL Change %	
	H1 FY20 £000	**H1 FY19 £000**	**H1 FY18 £000**	**H1 FY20 v H1 FY19**	**H1 FY19 v H1 FY18**
25-OH Vitamin D	604	556	660	6%	(15%)
Speciality - IDS	2,446	2,524	2,495	(5%)	2%
Speciality - Purchased	872	987	924	(14%)	9%
Diametra	1,816	2,069	1,932	(13%)	6%
Total	**5,738**	**6,136**	**6,011**	**(8%)**	**2%**

2.1 Revenue Performance

The Manual business saw a decline of 8% LFL versus H1 FY19. Our goal is to improve the revenue trajectory of this business as we move through the second half of the year.

2.2 Sales Process, Portfolio Development

Our Manual business unit team continues to make progress in developing our global distribution network. During H2, focus will be on leveraging this network to improve performance. A second direction for improving the quality of the Manual business is an upgrade of the assay portfolio with speciality/niche assays, thus reducing competition and pricing pressure in the mass market part of our product portfolio. The upgrade of the portfolio will come either through internal development or "OEM in" deals with partners.

3. TECHNOLOGY BUSINESS

				LFL Change %	
	H1 FY20 £000	**H1 FY19 £000**	**H1 FY18 £000**	**H1 FY20 v H1 FY19**	**H1 FY19 v H1 FY18**
Royalty Income	-	35	69	(99%)	(42%)
Technology Income	2,062	1,523	973	36%	57%
Total	**2,062**	**1,558**	**1,042**	**32%**	**51%**

3.1 Revenue Performance

Our Technology business – comprising the sale of instruments and ancillaries to OEM partners - continues to grow, with LFL growth of 32% versus H1 FY19, generated mainly from two active OEM partners. Revenues from this business have doubled since H1 FY18.

3.2 Sales Process

We are currently pursuing several leads which would result in additional partners using the IDS analyser technology on an OEM basis, and successful conclusion of these deals will allow us to diversify and continue to grow this business.

Financial review

Group revenues were £18.8m, an increase of 2% compared to the revenues of £18.5m recorded in H1 FY19. LFL revenues remained constant from the prior half year.

Adjusted EBITDA (before exceptional items) was £2.9m, an increase of £1.0m compared to H1 FY19. This increase in adjusted EBITDA was mainly driven by an improved gross margin, due to sales upselling and cost control initiatives, as well as a reduction in research and development costs.

Adjusted EBITDA was also favourably impacted by £0.3m due to the change in lease accounting policy mandated by IFRS 16 'Leases', which is described in Section A1 below.

The Group generated free cash flow to equity, being cash flow before returns to shareholders, of £0.4m (H1 FY19: £1.1m). The reasons for this decrease, despite the increased EBITDA, is explained in section D below.

A. SUMMARY OF INCOME STATEMENT

	H1 FY20 £000	H1 FY19 £000	FY19 £000
Revenue	**18,791**	18,495	38,513
Gross profit	**8,411**	7,892	16,696
Gross margin	***44.8%***	*42.7%*	*43.4%*
Sales and marketing	**(4,403)**	(4,553)	(9,075)
Research and development	**(893)**	(1,274)	(2,444)
General and administrative expenses	**(2,473)**	(2,331)	(4,837)
Total operating costs	**(7,769)**	(8,158)	(16,356)
Exceptional items	**-**	43	89
Profit/ (loss) from operations	**642**	(223)	429
Add back			
Depreciation and amortisation	**2,215**	2,159	4,457
Exceptional items	**-**	(43)	(89)
Adjusted EBITDA	**2,857**	1,893	4,797

A1 Change in Accounting Policy

The introduction of IFRS 16 'Leases' means that leases held by IDS, which were previously defined as operating leases, are now deemed to be finance leases. This means that costs previously classified as rental expenditure are now included within depreciation and interest, and as a result EBITDA is favourably impacted by £279k in H1 FY20, with depreciation increasing by a similar amount. As a result, the introduction of IFRS 16 did not materially impact operating profit.

Full disclosure as to the impact of adopting IFRS 16 is given in Note 1 of the Interim Results. The H1 FY19 results have not been restated to reflect the impact of adopting IFRS 16.

A2 Foreign Exchange

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

Average exchange rates	**H1 FY20**	**H1 FY19**	**FY19**
Pounds Sterling: US Dollar	**1.26**	1.34	1.32
Pounds Sterling: Euro	**1.13**	1.13	1.13

The movement in FX rates favourably impacted reported revenue by 2% but had a negligible impact on EBITDA and operating profit.

In the period, 68% (H1 FY19: 65%) of the Group's revenues were denominated in Euros, and 20% (H1 FY19: 21%) were denominated in US Dollars.

A3 Gross Profit

Gross profit was £8.4m (H1 FY19: £7.9m) implying a gross margin of 44.8% (H1 FY19: 42.7%).

As we noted in the Annual Report & Accounts 2019, our margin had previously declined as the result of a shift in revenue from higher margin direct business to lower margin distribution territories. During H1 FY20 distribution revenues increased to around 24% of Group revenues (H1 FY19: 22%). During the period, a number of controls were put in place to ensure that in all territories we are valuing our product offering appropriately and this led to improved gross margins.

Several cost initiatives to reduce wastage in our main automated assay manufacturing plant in Liege have been successfully implemented and we are continuing to pursue these initiatives to generate further efficiencies. Additionally, we realised further economies of scale in our Pouilly instrument production site, which produced 69 analysers in H1 FY20 versus 46 in the comparative period with a largely unchanged team.

As a result of the ongoing implementation of these efficiency projects, as well as the leverage effect we expect to see from increased sales volumes, we believe IDS can achieve gross margins in excess of 50% in the medium term.

A4 Operating costs

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

	H1 FY20 £000	**% revenue**	**H1 FY19 £000**	**% revenue**
Sales and marketing	(4,403)	23.4%	(4,553)	24.6%
Research and development	(893)	4.8%	(1,274)	6.9%
General and administrative expenses	(2,473)	13.2%	(2,331)	12.6%
Operating costs (pre-exceptional)	**(7,769)**	41.3%	**(8,158)**	44.1%

Total spend on operating costs has declined to £7.8m (H1 FY19: £8.2m), and as a result operating costs have reduced to 41.3% of revenue (H1 FY19: 44.1%).

The reduction is mainly due to lower spend in research and development arising due to the timing of project related spend with third parties.

Revenue per headcount, our key measure of operational efficiency, improved by 6% to £138k per employee, up from £130k per employee in H1 FY19. However, this still lags well behind best in class competitors, such as Diasorin, who achieve over £300k of revenue per employee.

A5 Exceptional items

Exceptional items during the current and previous financial periods comprise:

	H1 FY20 £000	**H1 FY19 £000**
Restructuring income	-	43

There were no exceptional items in H1 FY20. In H1 FY19 the exceptional income related to the release of an unused redundancy provision for the closure of our sales offices in FY18.

A6 Finance expense

Net finance expense was £0.9m (H1 FY19: £0.3m) and relates mainly to foreign exchange losses on intercompany loans, hence they have no cash flow impact. We are looking at a strategy to net down a number of these intercompany balances to reduce our exposure to such fluctuations in the future.

A7 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 107% (H1 FY19: 42%) giving a tax credit of £0.2m (H1 FY19: £0.2m). Before exceptional items, prior year adjustments and the effect of rate changes on deferred tax balances, the effective rate is 60% (H1 FY19: 48%).

A8 Earnings per share

Basic earnings per share improved to 0.1p (H1 FY19: -1.0p).

A9 Business Unit Performance

An analysis of the financial performance of each business unit is provided below:

H1 FY20 £000	**Automated**	**Manual**	**Technology**	**Total**
Revenue	10,991	5,738	2,062	18,791
Gross Profit	5,318	2,378	715	8,411
Adjusted EBITDA	1,612	1,044	201	2,857
Adjusted EBITDA %	14.7%	18.2%	9.7%	15.2%

H1 FY19 £000	**Automated**	**Manual**	**Technology**	**Total**
Revenue	10,801	6,136	1,558	18,495
Gross Profit	4,943	2,499	450	7,892
Adjusted EBITDA	768	1,064	61	1,893
Adjusted EBITDA %	7.1%	17.3%	3.9%	10.2%

Encouragingly EBITDA in our Automated business was £1.6m, more than double the comparable period, for the reasons set out in section A3 and A4 above.

Despite the decline in Manual business revenue, EBITDA of £1.0m remained broadly consistent with the previous year, due to higher gross margins arising as a result of several targeted price increases in distribution territories where our prices were deemed too low.

Finally, profitability improved in our Technology business which returned EBITDA of £0.2m, due to the leverage impact of the higher revenues versus the comparable period.

B. HEADCOUNT

A summary of IDS headcount by function is given below:

Headcount (FTE basis)	**30 Sep 19**	**31 Mar 19**	**30 Sep 18**
Operations	125	130	126
Sales and marketing	75	78	81
thereof field sales force	*23*	*24*	*25*
Research and development	38	40	45
General and administrative	35	35	34
Total	**273**	**283**	**286**

Annualised revenue per employee for H1 FY20 increased to £138,000 per FTE (H1 FY19: £130,000).

C. SUMMARY OF BALANCE SHEET

C1 Equity
The Group's net assets at 30 September 2019 are £56.7m (30 September 2018: £55.5m).

C2 Working Capital
The Group net working capital increased to £11.3m from £10.1m at 30 September 2018. This equates to 30% (30 September 2018: 27%) of annualised revenue.

The increase has been driven by higher stock levels of analysers and related raw materials, which we expect will be sold or placed during the second half of the year.

D. SUMMARY OF CASH FLOW STATEMENT

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

	H1 FY20 £000	H1 FY19 £000	FY19 £000
(Loss)/profit before tax	**(230)**	(523)	842
Depreciation and amortisation	**2,215**	2,159	4,457
Income taxes received	**331**	1,052	838
Other adjusting items	**885**	136	(589)
Movements in working capital	**(564)**	149	232
Cash generated from operating activities	**2,637**	2,973	5,780
Cash used in investing activities	**(1,929)**	(1,822)	(4,426)
Cash used in financing activities	**(486)**	(1,932)	(2,019)
Net increase/(decrease) in cash and cash equivalents	**222**	(781)	(665)
Add back			
Share buy back	**-**	1,358	1,358
Dividend	**201**	500	500
Free cash flow to equity	**423**	1,077	1,193

Cash generated from operating activities fell to £2.6m (H1 FY19: £3.0m). The lower cash generated is mainly due to a lower income tax credit in H1 FY20 as well as an outflow due to the increase in working capital explained earlier. The "other adjusting items" line mainly reflects the non-cash impacting foreign exchange losses as explained in section A6.

As a result, free cash flow to equity decreased to £0.4m (H1 FY19: £1.1m).

During the period the Group returned £0.2m (H1 FY19: 1.9m) to shareholders by way of dividends and share buy backs.

As at 30 September 2019, the Group's cash and cash equivalents are £28.1m (30 September 2018: £27.8m; 31 March 2019: £27.7m).

E. BREXIT

We have now had two "practise runs" at preparing for a no deal Brexit, firstly at the end of March 2019 and recently at the end of October 2019. While these preparations have not led to significant additional costs, they have absorbed significant amounts of time and resources which could have been spent productively elsewhere.

While we hope the risk of a no deal Brexit is receding, the Brexit risks remain as stated in our Annual Report & Accounts 2019.

F. OUTLOOK

The results for H1 FY20 are in line with our expectations, and we continue to target full year LFL revenue growth when compared to FY19.

Unaudited consolidated interim income statement
For the six-month period to 30 September 2019

	Note	6 Months ended 30 Sep 2019 £000	6 Months ended 30 Sep 2018 £000	Year ended 31 March 2019 £000
Revenue	**2, 3**	**18,791**	**18,495**	**38,513**
Cost of sales		(10,380)	(10,603)	(21,817)
Gross profit		**8,411**	**7,892**	**16,696**
Sales and marketing costs		(4,403)	(4,553)	(9,075)
Research and development costs		(893)	(1,274)	(2,444)
General and administrative expenses		(2,473)	(2,331)	(4,837)
Operating costs pre-exceptional items		(7,769)	(8,158)	(16,356)
Restructuring income		-	43	89
Total exceptional items	**4**	-	43	89
Operating costs		**(7,769)**	**(8,115)**	**(16,267)**
Profit/(loss) from operations		**642**	**(223)**	**429**
Finance income		108	69	495
Finance costs		(980)	(369)	(82)
(Loss)/profit before tax		**(230)**	**(523)**	**842**
Income tax credit/(charge)	**6**	246	218	(46)
Profit/(loss) for the period attributable to owners of the parent		**16**	**(305)**	**796**
Earnings/(loss) per share				
From continuing operations				
Basic	**5**	0.1p	(1.0p)	2.7p
Diluted	**5**	0.1p	(1.0p)	2.7p

Unaudited interim statement of other comprehensive income
For the six-month period to 30 September 2019

	6 Months ended 30 Sep 2019 £000	6 Months ended 30 Sep 2018 £000	Year ended 31 March 2019 £000
Profit/(loss) for the period	**16**	**(305)**	**796**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences	1,575	780	(505)
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods, before and after tax	**1,575**	**780**	**(505)**
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit plan	(39)	(56)	(40)
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods, before tax	**(39)**	**(56)**	**(40)**
Tax relating to other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	14	14
Other comprehensive income/(expense), net of tax	**1,536**	**738**	**(531)**
Total comprehensive income for the period attributable to owners of the parent	**1,552**	**433**	**265**

Unaudited consolidated interim balance sheet
As at 30 September 2019

	Note	30 Sep 2019 £000	30 Sep 2018 Restated £000	31 March 2019 £000
Assets				
Non-current assets				
Property, plant and equipment		8,500	7,191	6,852
Other intangible assets		11,123	11,138	11,177
Deferred tax assets		284	328	70
Other non-current assets		110	357	283
		20,017	19,014	18,382
Current assets				
Inventories		9,043	8,308	7,819
Contract assets		402	321	380
Trade and other receivables		8,016	7,410	8,958
Income tax receivable		2,528	2,523	2,667
Cash and cash equivalents		28,148	27,752	27,713
		48,137	46,314	47,537
Total assets		68,154	65,328	65,919
Liabilities				
Current liabilities				
Short-term portion of long-term borrowings		554	81	82
Trade and other payables		5,974	5,856	6,511
Contract liabilities		166	44	278
Income tax payable		348	284	369
Provisions	7	47	60	46
Deferred income		28	85	33
		7,117	6,410	7,319
Net current assets		41,020	39,904	40,218
Non-current liabilities				
Long-term portion of long-term borrowings		2,062	1,176	1,092
Employee benefit obligations		403	395	363
Provisions	7	884	839	846
Deferred tax liabilities		947	1,049	996
		4,296	3,459	3,297
Total liabilities		11,413	9,869	10,616
Net assets		**56,741**	**55,459**	**55,303**

Total equity				
Called up share capital	8	589	589	589
Share premium account	8	32,345	32,345	32,345
Other reserves		6,235	5,945	4,660
Retained earnings		17,572	16,580	17,709
Equity attributable to owners of the parent		**56,741**	**55,459**	**55,303**

Unaudited consolidated interim cash flow statement

For the six-month period to 30 September 2019

	6 Months ended 30 Sep 2019 £000	**6 Months ended 30 Sep 2018 £000**	**Year ended 31 March 2019 £000**
(Loss)/profit before tax	(230)	(523)	842
Adjustments for:			
Depreciation of property, plant and equipment	1,185	1,055	2,187
Amortisation of intangible assets	1,030	1,104	2,270
Loss on disposal of property, plant and equipment	2	8	36
Share-based payment charge	11	12	24
Finance income	(108)	(69)	(495)
Finance costs	980	369	82
Other exceptional items	-	(43)	(89)
Operating cash flows before movements in working capital	2,870	1,913	4,857
(Increase)/decrease in inventories	(910)	208	1,012
Decrease/(increase) in receivables	1,182	755	(959)
(Decrease)/increase in payables, provisions and deferred income	(836)	(814)	179
Cash generated by operations	2,306	2,062	5,089
Cash outflow related to exceptional costs	-	(141)	(147)
Income taxes received	331	1,052	838
Net cash from operating activities	**2,637**	**2,973**	**5,780**
Investing activities			
Purchases of other intangible assets	(922)	(1,221)	(2,492)
Purchases of property, plant and equipment	(1,115)	(822)	(2,122)
Disposals of property, plant and equipment	-	152	26
Interest received	108	69	162
Net cash used by investing activities	**(1,929)**	**(1,822)**	**(4,426)**
Financing activities			
Repayments of borrowings	(215)	(41)	(79)
Interest paid	(70)	(33)	(82)
Dividends paid	(201)	(500)	(500)
Purchase of own shares	-	(1,358)	(1,358)
Net cash used by financing activities	**(486)**	**(1,932)**	**(2,019)**
Net increase/(decrease) in cash and cash equivalents	**222**	**(781)**	**(665)**
Effect of exchange rate differences	**213**	**-**	**(155)**
Cash and cash equivalents at beginning of period	**27,713**	**28,533**	**28,533**
Cash and cash equivalents at end of period	**28,148**	**27,752**	**27,713**

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 2019	589	32,345	4,660	17,709	55,303
Change in accounting policy (note 1)	-	-	-	76	76
Restated as at 1 April 2019	589	32,345	4,660	17,785	55,379
Profit for the period	-	-	-	16	16
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	1,575	-	1,575
Remeasurement of defined benefit plan	-	-	-	(39)	(39)
Total comprehensive income	-	-	1,575	(23)	1,552
Transactions with owners					
Share-based payments	-	-	-	11	11
Dividends paid	-	-	-	(201)	(201)
At 30 September 2019	589	32,345	6,235	17,572	56,741
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	-	-	-	(56)	(56)
Tax effect on remeasurement of defined benefit plan	-	-	-	14	14
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

	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
Profit for the year	-	-	-	796	796
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	(505)	-	(505)
Remeasurement of defined benefit plan	-	-	-	(40)	(40)
Tax effect on remeasurement of defined benefit plan	-	-	-	14	14
Total comprehensive (expense)/income	-	-	(505)	770	265
Transactions with owners					
Share-based payments	-	-	-	24	24
Dividends paid	-	-	-	(500)	(500)
Purchase of own shares	-	-	-	(1,358)	(1,358)
At 31 March 2019	589	32,345	4,660	17,709	55,303

Notes to the Interim Financial Statements

For the six month period to 30 September 2019

1 Basis of preparation

The unaudited condensed financial statements for the six months ended 30 September 2019 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 2019. 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 2019 that are described on pages 58 to 67 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 not yet effective for the financial year ending 31 March 2020 are as follows: -

- IAS 1 – Presentation of Financial Instruments – Amendments to the definition of material;
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to the definition of material;
- IFRS 3 – Business Combinations – Amendments to clarify the definition of a business;
- IFRS 17 – Insurance Contracts; and
- IFRS 9 – Financial Instruments – Amendments regarding pre-replacement issues in the context of the IBOR reform.

Adoption of IFRS 15

IFRS 15 'Revenue from Contracts with Customers' became effective for the financial year ending 31 March 2019, thus was adopted in the Group's Annual Report & Accounts for the year ended 31 March 2019. Adoption resulted in the reclassification of amounts invoiced in advance and in arrears relating to customer reagent and service revenue. The impact of adoption on the balance sheet for the six months ended 30 September 2018 is set out below. The income statement for the six months ended 30 September 2018 is unchanged.

30 September 2018	Before reclassification £000	IFRS 15 reclassification £000	After reclassification £000
Assets			
Non-current assets			
Property, plant and equipment	7,191		7,191
Other intangible assets	11,138		11,138
Deferred tax assets	328		328
Other non-current assets	357		357
	19,014		19,014
Current assets			
Inventories	8,308		8,308
Contract assets	-	321	321
Trade and other receivables	7,731	(321)	7,410
Income tax receivable	2,523		2,523
Cash and cash equivalents	27,752		27,752
	46,314		46,314
Total assets	65,328		65,328

Liabilities			
Current liabilities			
Short-term portion of long-term borrowings	81		81
Trade and other payables	5,856		5,856
Contract liabilities	-	44	44
Income tax payable	284		284
Provisions	53		53
Deferred income	129	(44)	85
	6,403		6,403
Net current assets	39,911		39,911
Non-current liabilities			
Long-term portion of long-term borrowings	1,176		1,176
Employee benefit obligations	395		395
Provisions	846		846
Deferred tax liabilities	1,049		1,049
	3,466		3,466
Total liabilities	9,869		9,869
Net assets	**55,459**		**55,459**
Total equity			
Called up share capital	589		589
Share premium account	32,345		32,345
Other reserves	5,945		5,945
Retained earnings	16,580		16,580
Equity attributable to owners of the parent	**55,459**		**55,459**

Adoption of IFRS 16
In the period ended 30 September 2019, the Group has applied IFRS 16 'Leases' for the first time.

The Group has adopted IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the FY19 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the adoption of IFRS 16 have therefore been recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 April 2019. The incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.00%. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Property, plant and equipment – increased by £1,489,000
- Short-term portion of long-term borrowings – increased by £322,000
- Long-term portion of long-term borrowings – increased by £1,091,000

The net impact on retained earnings on 1 April 2019 was an increase of £76,000.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- The accounting for operating leases with remaining total contractual payments of less than $5,000 as at 1 April 2019 as short-term leases.

Until the year ended 31 March 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed payments, less any incentives receivable,
- Variable lease payments that are based on an index or a rate,
- Amounts expected to be payable by the lessee under residual value guarantees,
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise small items of furniture or equipment.

The impact on profit or loss for the six-month period ended 30 September 2019 was the following:
- Depreciation charge – increased by £256,000
- Finance costs – increased by £21,000
- Lease rental expense – decreased by £279,000

As the Group has adopted this accounting policy change using the modified retrospective approach in the current period comparatives have not been restated.

The financial information for the six months ended 30 September 2019 is not reviewed by PricewaterhouseCoopers LLP and accordingly no opinion has been given. The comparative financial information for the year ended 31 March 2019 has been extracted from the Annual Report & Accounts 2019. 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 & Accounts 2019. The annual financial statements for the year ended 31 March 2019, which were approved by the Board of Directors on 18 June 2019, 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 FY20	**Recognised on delivery £000**	**Recognised over time £000**	**Total £000**
25-OH Vitamin D	**2,325**	**-**	**2,325**
Speciality - IDS	**7,059**	**-**	**7,059**
Speciality - partners	**871**	**-**	**871**
Instrument sales	**469**	**267**	**736**
Total automated	**10,724**	**267**	**10,991**
Automated revenue comprises:			
Operating lease rental	**-**	**1,601**	**1,601**
Reagent revenue	**9,390**	**-**	**9,390**
25-OH Vitamin D	**604**	**-**	**604**
Speciality - IDS	**2,446**	**-**	**2,446**
Speciality - purchased	**872**	**-**	**872**
Diametra	**1,816**	**-**	**1,816**
Total manual	**5,738**	**-**	**5,738**
Technology	**1,813**	**249**	**2,062**
Total revenue	**18,275**	**516**	**18,791**

H1 FY19	**Recognised on delivery £000**	**Recognised over time £000**	**Total £000**
25-OH Vitamin D	2,839	-	2,839
Speciality - IDS	6,679	-	6,679
Speciality - partners	569	-	569
Instrument sales	504	210	714
Total automated	10,591	210	10,801
Automated revenue comprises:			
Operating lease rental	-	1,612	1,612
Reagent revenue	9,189	-	9,189
25-OH Vitamin D	556	-	556
Speciality - IDS	2,524	-	2,524
Speciality - purchased	987	-	987
Diametra	2,069	-	2,069
Total manual	6,136	-	6,136
Technology	1,504	54	1,558
Total revenue	18,231	264	18,495

FY19	Recognised on delivery £000	Recognised over time £000	Total £000
25-OH Vitamin D	5,537	-	5,537
Speciality - IDS	13,737	-	13,737
Speciality - partners	1,332	-	1,332
Instrument sales	1,605	424	2,029
Total automated	22,211	424	22,635
Automated revenue comprises:			
Operating lease rental		3,226	3,226
Reagent revenue	19,409		19,409
25-OH Vitamin D	1,061	-	1,061
Speciality - IDS	5,179	-	5,179
Speciality - purchased	2,058	-	2,058
Diametra	4,024	-	4,024
Total manual	12,322	-	12,322
Technology	3,449	107	3,556
Total revenue	37,982	531	38,513

Operating lease rental relates to contracts implicit in agreements for the placing of IDS-iSYS instruments with customers and the related sale of reagents, and is estimated based on averages. The IFRIC 4 imputed revenue has been restated for the period ending 30 September 2018 from £2,460,000 to £1,612,000. This change is due to a revised methodology which excludes directly placed customer machines which have been sold and adjusts for iSYS machines where the annual revenue is lower than the average per machine imputed IFRIC 4 operating lease rental.

Contract assets

	H1 FY20 £000	H1 FY19 £000	FY19 £000
Current contract assets relating to automated reagent sales	**402**	321	380

Contract liabilities

	H1 FY20 £000	H1 FY19 £000	FY19 £000
Current contract liabilities relating to instrument sales	**166**	44	278

3 Segmental information

The Group applies IFRS 8 Operating Segments. IFRS 8 requires provision of 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 and business unit basis. Operational performance is monitored on a business unit basis by the Board of Directors. All balance sheet and cash flow information received and reviewed by the Board of Directors is prepared at a Group level.

H1 FY20	Automated	Manual	Technology	Total
	£000	£000	£000	£000
Revenue	**10,991**	**5,738**	**2,062**	**18,791**
Cost of Sales	(5,673)	(3,360)	(1,347)	(10,380)
Gross profit	**5,318**	**2,378**	**715**	**8,411**
Sales and marketing	(3,347)	(841)	(215)	(4,403)
Research and development	(803)	-	(90)	(893)
General and administrative expenses	(1,502)	(732)	(239)	(2,473)
Operating costs pre-exceptional items	**(5,652)**	**(1,573)**	**(544)**	**(7,769)**
Adjusted EBIT	**(334)**	**805**	**171**	**642**
Exceptional items				
Restructuring costs				-
Total exceptional items				-
EBIT				**642**
Finance income				108
Finance costs				(980)
Loss before tax				**(230)**

Adjusted EBIT	**(334)**	**805**	**171**	**642**
Add: Depreciation & amortisation	1,946	239	30	2,215
Adjusted EBITDA	**1,612**	**1,044**	**201**	**2,857**

H1 FY19	Automated	Manual	Technology	Total
	£000	£000	£000	£000
Revenue	**10,801**	**6,136**	**1,558**	**18,495**
Cost of Sales	(5,858)	(3,637)	(1,108)	(10,603)
Gross profit	**4,943**	**2,499**	**450**	**7,892**
Sales and marketing	(3,483)	(877)	(193)	(4,553)
Research and development	(1,261)	-	(13)	(1,274)
General and administrative expenses	(1,388)	(747)	(196)	(2,331)
Operating costs pre-exceptional items	**(6,132)**	**(1,624)**	**(402)**	**(8,158)**
Adjusted EBIT	**(1,189)**	**875**	**48**	**(266)**
Exceptional items				
Restructuring credit				43
Total exceptional items				43
EBIT				**(223)**
Finance income				69
Finance costs				(369)
Loss before tax				**(523)**

Adjusted EBIT	**(1,189)**	**875**	**48**	**(266)**
Add: Depreciation & amortisation	1,957	189	13	2,159
Adjusted EBITDA	**768**	**1,064**	**61**	**1,893**

FY19	Automated £000	Manual £000	Technology £000	Total £000
Revenue	**22,635**	**12,322**	**3,556**	**38,513**
Cost of Sales	(12,581)	(6,738)	(2,498)	(21,817)
Gross profit	**10,054**	**5,584**	**1,058**	**16,696**
Sales and marketing	(6,920)	(1,761)	(394)	(9,075)
Research and development	(2,333)	-	(111)	(2,444)
General and administrative expenses	(2,947)	(1,456)	(434)	(4,837)
Operating costs pre-exceptional items	**(12,200)**	**(3,217)**	**(939)**	**(16,356)**
Adjusted EBIT	**(2,146)**	**2,367**	**119**	**340**
Exceptional items				
Restructuring credit				89
Total exceptional items				89
EBIT				**429**
Finance income				495
Finance costs				(82)
Profit before tax				**842**

Adjusted EBIT	**(2,146)**	**2,367**	**119**	**340**
Add: Depreciation & amortisation	4,044	388	25	4,457
Adjusted EBITDA	**1,898**	**2,755**	**144**	**4,797**

4 Exceptional items

The Group incurred a number of exceptional items during the previous financial period:

	H1 FY20 £000	H1 FY19 £000	FY19 £000
Restructuring income	-	43	89
Total exceptional items	-	43	89

In H1 FY20, exceptional items were nil.

In H1 FY19, an exceptional credit of £43k was recorded, relating to the reversal of a portion of certain redundancy provisions booked in FY18.

In FY19, there was an exceptional credit of £0.1m due to the reversal of restructuring provisions related to our France and Italy operations which were not utilised.

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 2019, 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 Sep 2019	6 Months ended 30 Sep 2018	Year ended 31 March 2019
	£000	£000	£000
Profit/(loss) on ordinary activities after tax	16	(305)	796
	Number	Number	Number
Weighted average no of shares:			
For basic earnings per share	28,784,097	29,284,981	29,034,539
Effect of dilutive potential ordinary shares:			
-Share Options	14,112	24,697	16,806
For diluted earnings per share	28,798,209	29,309,678	29,051,345
Basic earnings /(loss) per share	0.1p	(1.0p)	2.7p
Diluted earnings/(loss) per share	0.1p	(1.0p)	2.7p

6 Taxation

The estimated tax rate for FY20 of 107% (H1 FY19: 39%) has been applied to the profit before tax for the six months to 30 September 2019.

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

7 Provisions

	Leavers provision £000	Warranty provision £000	Dilapidation provision £000	Onerous lease provision £000	Restructuring provision £000	Total £000
At 1 April 2019	357	46	489	-	-	892
Foreign exchange movement	12	1	-	-	-	13
Reassessment in the period	26	-	-	-	-	26
At 30 September 2019	395	47	489	-	-	931
At 1 April 2018	271	7	479	89	147	993
Foreign exchange movement	4	-	-	1	2	7
Utilised during the period	(2)	-	-	(90)	(178)	(270)
Release in the period	(1)	-	-	-	98	97
Reassessment in the period	88	-	-	-	(16)	72
At 30 September 2018	360	7	479	-	53	899
At 1 April 2018	271	7	479	89	147	993
Foreign exchange movement	(6)	-	-	(2)	(3)	(11)
Release in the year	-	-	-	(20)	(43)	(63)
Utilised during the year	-	-	-	(67)	(101)	(168)
Unwind of discount	-	-	10	-	-	10
Reassessment in the year	92	39	-	-	-	131
At 31 March 2019	357	46	489	-	-	892
At 30 September 2019						
Included in current liabilities	-	47	-	-	-	47
non-current liabilities	395	-	489	-	-	884
	395	47	489	-	-	931

At 30 September 2018						
Included in current liabilities	-	7	-	-	53	60
non-current liabilities	360	-	479	-	-	839
	360	7	479	-	53	899
At 31 March 2019						
Included in current liabilities	-	46	-	-	-	46
non-current liabilities	357	-	489	-	-	846
	357	46	489	-	-	892

When employees leave Dia.Metra S.r.l, by law the company is required to pay to that employee an amount equal to one month's salary for each year they have worked at the Company. The scheme is Trattamento di Fine Rapporto ('TFR'). A provision for this obligation is recognised in the balance sheet, but there is considerable uncertainty over the timing of the settlement due to lack of forward visibility of employees leaving service. The present value of the potential liability to current employees as at 30 September 2019 is £395,000.

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 one leased building in Boldon, 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. The discounted expected future cash flows to restore the remaining leased building amounted to £489,000 at the balance sheet date.

The onerous lease provision related 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 in the previous financial year.

The restructuring provision related to unpaid settlements from the restructure of the IDS business actioned in FY18, which have now been settled.

8 Share Capital

	30 Sep 2019	30 Sep 2018	31 March 2019
	£000	£000	£000
Equity Shares			
Authorised:			
75,000,000 Ordinary Shares of £0.02 each at 30 September 2019, 31 March 2019 and 30 September 2018	1,500	1,500	1,500
Share Capital			
Allotted, called up and fully paid: 28,784,097 (30 September 2018: 28,784,097, 31 March 2019: 28,784,097) Ordinary shares of 2p each (excluding own shares held)	576	576	576
Own shares held of 2p each 666,078 (30 September 2018: 666,078, 31 March 2019: 666,078)	13	13	13
	589	589	589
Share Premium			
Balance carried forward	32,345	32,345	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 22 November 2019. Copies of this unaudited interim report will be available to the public from the Group's registered office and www.idsplc.com.