immunodiagnosticsystems

Immunodiagnostic
Systems Holdings PLC

Annual Report & Accounts 2020

IDS is a specialist in-vitro diagnostic solution provider to the clinical laboratory market.

We develop, manufacture and market innovative immunoassays and automated immunoanalyser technologies to provide improved diagnostic outcomes for patients.

IDS AT A GLANCE

Our immunoassay portfolio is a combination of an endocrinology speciality testing menu and assay panels in complementary fields.

We are a global company headquartered in the UK with around 295 employees worldwide. Our products are developed and manufactured at our facilities in Europe. We serve our customers through regional offices in Europe, the US and a sales office in Brazil. Our network of distributors work on our behalf to serve our customers throughout the rest of the world.

Our tests are in-vitro diagnostic ('IVD') tests, meaning they are performed on samples taken from the body such as blood, saliva or urine.

BUSINESS OVERVIEW

IDS FINANCIALS

Revenue
£39.3m
2019: £38.5m

Cash and cash equivalents
£27.6m
2019: £27.7m

Profit from operations
£1.3m
2019: £0.4m

Adjusted EBITDA*
£6.1m
2019: £4.8m

Adjusted EBITDA pre IFRS 16 impact**
£5.4m
2019: £4.8m

* Before exceptional operating income of £nil (2019: exceptional operating income of £0.1m) – see reconciliation in Section 3 of the Financial and Operations Review.
** Adjusted to exclude the impact of IFRS 16 of £0.6m in 2020 and before exceptional operating income of £nil (2019: £0.1m). See reconciliation on page 27.

IDS AT A GLANCE CONTINUED

OUR CURRENT AUTOMATED ASSAYS

		Automated assays
Bone Metabolism	Throughout life, old bone is constantly removed (resorption) and replaced by new bone (formation). This continual process is essential for the maintenance of healthy bone mass and micro-architecture. The IDS complete bone offering provides the tools for research and routine clinical laboratories, to provide highly accurate and reliable results.	• Intact PINP** • N-Mid Osteocalcin** • Ostase BAP** • TRAcP 5b** • CTX-I*
Calcium Metabolism	Vitamin D deficiency results in abnormalities in calcium, phosphorus and bone metabolism and affects one billion people worldwide across all ethnicities and age groups. Our comprehensive calcium metabolism panel enables laboratories to measure vitamin D deficiencies in line with the Clinical Practice Guidelines set by the Endocrine Society.	• 25-OH Vitamin D* • Intact PTH* • 1,25-Dihydroxy Vitamin D* • 1,25-Dihydroxy Vitamin D XP** • PTH (1-34)***
Hypertension	Hypertension is a chronic medical condition in which blood pressure in arteries is elevated. Hypertension is a major risk factor for strokes, heart attack, aortic aneurysm and is a cause of chronic kidney disease. The IDS fully-automated hypertension panel provides laboratories with simple and fast quantitative results.	• Direct Renin* • Aldosterone* • Salivary Cortisol** • ACTH**
Chronic Kidney Disease Mineral Bone Disorder	CKD is a systemic disorder of mineral and bone metabolism due to Chronic Kidney Disease. Building on our expertise in calcium and bone testing, IDS provides a CKD-MBD panel which comprises of bone and calcium metabolism markers including Bone Specific Alkaline Phosphate, PTH and 25-OH Vitamin D.	• 1,25-Dihydroxy Vitamin D* • 1,25-Dihydroxy Vitamin D XP** • Intact PTH* • Intact PINP** • Ostase BAP** • 25-OH Vitamin D* • InaKtif MGP (dp-uc MGP)**
Growth	There are two main types of growth disorders: excessive growth and growth-hormone deficiency. The IDS Growth panel can be used to identify these diseases and conditions, evaluate pituitary function and monitor the effectiveness of growth hormone treatment.	• hGH* • IGF-I* • IGFBP-3*
Fertility	Approximately one in eight couples have trouble getting pregnant or sustaining a pregnancy. The IDS Fertility panel can be used to support clinicians in the measurement of both esoteric and routine hormone levels.	• 17-OH Progesterone* • Total Testosterone** • Free Testosterone** • SHBG*
Autoimmunity	Autoimmune diseases are caused by the body producing an immune response against its own tissues or even organs. The diseases generally fall into two types: systemic and organ-specific. Systemic diseases damage many organs, whereas in organ specific diseases only a single organ or tissue is directly damaged by the autoimmune process. IDS provides a comprehensive and efficient testing solution for both systemic and organ-specific autoimmune pathologies.	• Connective Tissue Disease (12 assays)** • Rheumatoid Arthritis (2 assays)** • Celiac Disease (4 assays)** • Anti-Phospholipid Syndrome (4 assays)** • Vasculitis (3 assays)** • Liver Disease (2 assays)** • Thyroid (2 assays)**
Infectious Disease	Infectious diseases are a cluster of diseases caused by an infection from an infectious agent: virus, bacteria, fungus, parasites or prion. An early diagnosis is very important, especially for pregnant women and non-vaccinated or immunodeficient individuals, to avoid complications such as miscarriage. These diseases are diagnosed with serological specific antibody monitoring. The IDS Infectious Disease panel helps physicians with an accurate and early diagnosis of specialised infectious diseases so that they can provide the right treatment.	• Epstein Barr Virus (4 assays)** • ToRCH (12 assays)** • VZV (2 assays)** • Mumps (2 assays)** • Measles (2 assays)** • Tetanus (1 assay)**
Sarcoidosis	Sarcoidosis involves abnormal collections of inflammatory cells which form lumps known as granulomas. In most cases it starts in the lungs, skin or lymph nodes. Its cause is unknown. The diagnosis is based on a combination of clinical observation, imaging test and laboratory assays. IDS provides a range of assays supporting the diagnosis of sarcoidosis, including the key parameter angiotensin converting enzyme (ACE), which can be determined on our instruments together with immunoassays via the unique optical absorbance mode.	• ACE** • Intact PTH* • 1,25 – Dihydroxy Vitamin D* • 1,25 – Dihydroxy Vitamin D XP**
Allergy	Allergy occurs when a person's immune system reacts to allergens in an environment which are harmless for most people. Allergens are antigens (mostly proteins) which can cause immune reaction and/or allergy. 30-40% of the world population is affected by one or more allergies. Allergic diseases are the third leading chronic disease in children and the fifth in adults. Complex allergies are increasing. The IDS Allergy panel allows a person to identify which allergen is harmful to them.	• Weed pollens • Eggs • Epidermals • Tree pollens • Occupational • Fish & shellfish • Fruits • Grass pollens • Nuts • Insect venoms • Microorganisms • Milk • Mites

* CE-marked and FDA cleared. ** CE-marked only. *** RUO (research use only).

EXCELLENCE IN ENDOCRINOLOGY

1 Internal assay development

Internal research and development focus on endocrinology excellence menu

Work with partners to develop automated general assay menu

2 Commercial excellence

Set priorities by sales potential and follow best practice sales process

Build expertise in new indication areas

3 Grow manual business

Rebuild manual business commercial team

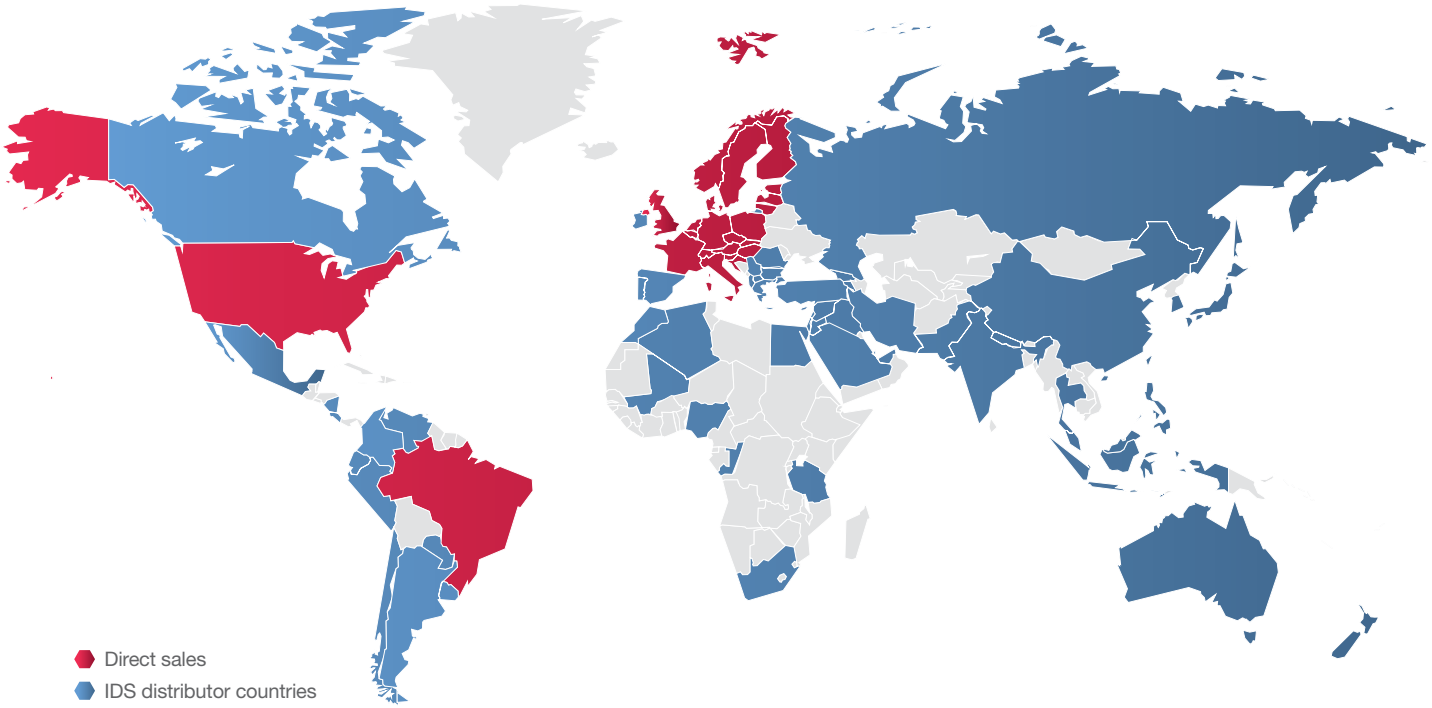
Monetise OEM and distribution opportunities

4 Partnerships and corporate development

M&A or partnerships to build new menu

Acquisition of companies with strong market position and unique assays

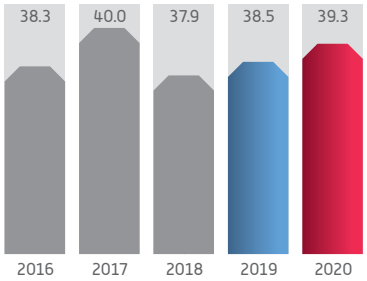
GEOGRAPHICAL FOOTPRINT



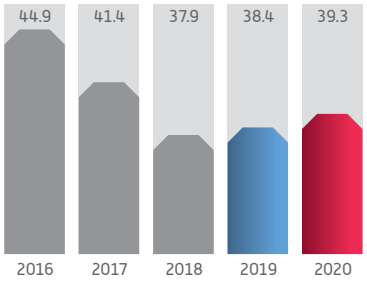
KEY PERFORMANCE INDICATORS ('KPIs')

Our KPIs measure how we are doing across the Group operationally and financially in the context of the key elements of our strategy.

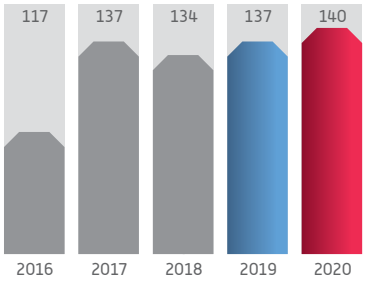
Revenue
March 2016-2020 £m



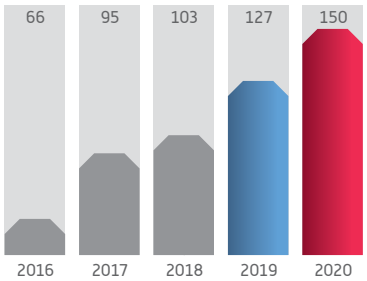
Revenue LFL
March 2016-2020 £m



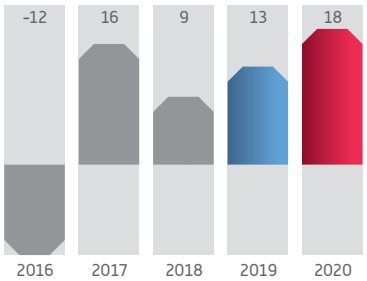
Revenue by employee
March 2016-2020 £'000



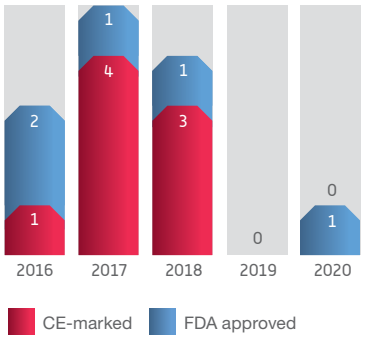
Total instrument placements/sales
March 2016-2020



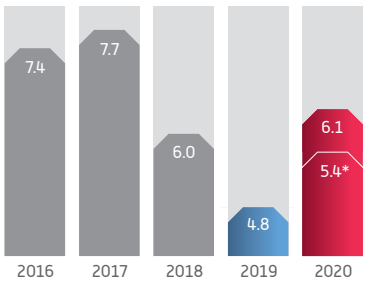
Direct instrument placements net
March 2016-2020



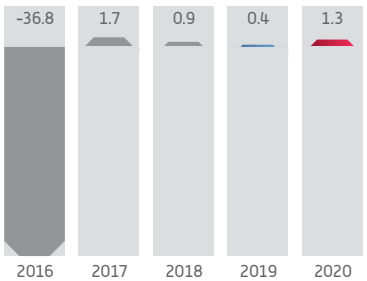
Assay launches
March 2016-2020



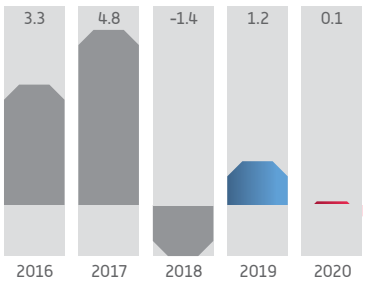
Adjusted EBITDA*
March 2016-2020 £m



Profit/(loss) from operations
March 2016-2020 £m



Free cashflow to equity
March 2016-2020 £m



* Adjusted EBITDA pre IFRS 16 impact.

HIGHLIGHTS 2020

£m	2020	2019	% Change	% Change LFL*
Group Revenue	**39.3**	38.5	2%	2%
Automated Business Revenue	**23.4**	22.6	3%	4%
25-OH Vitamin D	**4.8**	5.5	-13%	-14%
Other Speciality – IDS	**14.1**	13.7	3%	3%
Other Speciality – Partners	**2.3**	1.3	71%	74%
Instrument Sales and Service	**2.2**	2.0	8%	9%
Manual Business Revenue	**11.4**	12.3	-8%	-8%
Technology Business Revenue	**4.6**	3.6	29%	30%
Adjusted EBITDA**	**6.1**	4.8	26%	26%
Adjusted EBITDA pre IFRS 16 impact*****	**5.4**	4.8	14%	13%
Profit from Operations	**1.3**	0.4	210%	
Adjusted Earnings per Share***	**7.4p**	2.4p	208%	
Free Cashflow to Equity****	**0.1**	1.2	-88%	
Closing Cash and Cash Equivalents	**27.6**	27.7	0%	

The table above and the KPIs on page 4 present a number of alternative performance measures which the Directors believe reflect the underlying performance of the business.

* Like for like ('LFL') numbers have been adjusted to remove the impact of foreign exchange movements in the year by restating the prior years' performance using the exchange rates during FY2020.
** Before exceptional operating income of £nil (2019: exceptional operating income of £0.1m) – see reconciliation on page 27.
*** Before exceptional finance income of £1.2m (2019: before exceptional operating income of £0.1m) – see reconciliation in Note 7.
**** See reconciliation on page 30.
*****Adjusted to exclude the impact of IFRS 16 of £0.6m on 2020 and before exceptional operating income of £nil (2019: £0.1m). See reconciliation on page 27.

Operational summary

- Our target of maintaining LFL revenue growth was met. Group revenue increased by 2% LFL to £39.3m, our second consecutive year of revenue growth.
- Automated business revenue increased by 4% LFL, driven by higher sales of speciality assays. Revenue for autoimmune and infectious disease assays grew 74% LFL. Revenue from our automated distribution channels grew 30% LFL.
- The Manual business declined by 8% LFL due to lower sales in direct European markets.
- The Technology business generated £4.6m of revenue, a LFL increase of 30%.
- Total gross instrument sales/placements across our Automated and Technology business units reached 150 (2019: 127), the strongest performance since 2012.
  - Placements in our direct markets were 43 (2019: 37) with returns of 25 (2019: 24). As a result, net placements in our direct markets increased to 18 (2019: 13).
  - Instrument sales to distributors increased to 50 (2019: 47).
  - Instrument sales to OEM customers in our Technology business unit increased to 57 (2019: 43).
- Gross margin improved to 44% (2019: 43%) due to cost efficiency efforts, which were partially offset by an adverse sales mix. Adjusted EBITDA increased to £6.1m (2019: £4.8m).
- At the end of FY2020, we have a total of 141 (2019: 135) CE-marked assays available for sale on IDS analysers, 22 (2019: 22) of which are in-house developments.

TALENT AND PEOPLE MANAGEMENT

During FY2020 we saw the start of a transition where decisions made by the Board were translated into the required actions and follow-up by management, leading to an improved conversion into tangible results.

This required our managers to assume a stronger leadership role, accepting accountability and ensuring accountability is given to our employees who are responsible for execution. We made a good step forward but have to keep reinforcing the values of responsibility and accountability throughout the organisation.

In the last three years, we set out a plan to place greater focus on the people side of the business, in order to gain greater traction in business execution. Our top and middle managers understand that to achieve better results they have to make some changes to their work practice. Thus, FY2020 is the third consecutive year we have continued to focus on four key pillars shown below:

- Embedding the right **values** in our people.
- Strengthening our **leadership capabilities.**
- Creating high levels of **employee engagement.**
- Managing the **talent pool**.

Below, I would like to report to you what we did to achieve these targets, where we succeeded, where we failed and what we plan to do in the next financial year.

1. Embedding the right values in our people

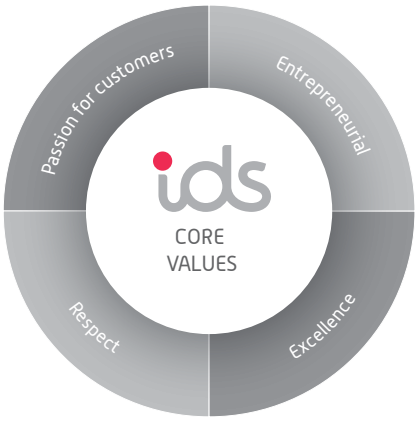
In previous Annual Reports, I outlined the core values which we had chosen for the business after consulting large parts of the organisation. The core values will tighten the relationships across sites and our people whilst serving our customers in the best way. Below I summarise them once more:

a) **Entrepreneurial** mind-set gives each employee the mandate to take actions with a view to fostering the wealth of the Group. It calls for the application of business sense by each employee in the decisions they have to take to complete their tasks.

b) **Excellence** is a call to each employee to always look for improvements in the way they do things. It encourages them to look at best practice as a benchmark and to have the ambition to tackle any deficiencies we have.

c) **Passion for customers** speaks for itself. It reminds all employees that our *raison d'etre* as a small player is that we go out of our way to deliver better solutions and services than the large corporates we are competing against.

d) **Respect** shows the way in which we want to work together, by appreciating and embracing the diversity we have around us; being open and transparent in what we do and how we do it. In simplistic terms it is 'treating others how you would like to be treated' whether a colleague, customer or key stakeholder.



These values have remained unchanged since last year. In our opinion they combine the requirements of the business with the values our employees want to be displayed by themselves and their colleagues.

1.1 What we did in FY2020
During FY2020 we have continued to strengthen our IDS values to ensure the 'meaning' of the values are cascaded deeper throughout our Group. Our values are now starting to play a greater part in the way we work together across the Group on a day to day basis – we now believe we have a set of IDS values which are widely recognised and understood in our organisation.

The primary modes to deepen this understanding have been centred around general communication throughout the Group, facilitated via team meetings, our newsletter, a 'keeping you informed' regular email communication and frequent CEO townhall briefings. In addition, these values are a key part of any feedback discussions we lead in our Group.

Secondly, we have continued to utilise our value-based **'on the spot reward system'**, where employees have the opportunity to nominate a team member for excelling in one of our core values. This initiative continues to be well received around the Group and has led to great examples throughout our workforce. During this year we commended 14 employees across our sites.

Finally, we developed **an employee improvement suggestions scheme** which will be launched during Q2 FY2021 which will be open for participation by all employees. We believe this will support a more entrepreneurial spirit and produce ideas for results improvement. Rewards will be linked to the measurable impact on financial results after implementation of the suggestion.

With respect to incoming staff we have **evolved our interview process for new hires** to incorporate each of our values. This has improved the quality of discussion around 'the person fit' as opposed to a candidate's pure technical ability. We verify this fit with our values by a more systematic process for reference checks. We have also continued to ensure all new recruits are reminded of these values and the spirit in which they should be interpreted during their onboarding process.

1.2 Scorecard: what we achieved and where we missed
Generally, we can say that we have integrated our values much deeper into the organisation during FY2020. For example, we have made significant progress in our 'Passion for customers' value. We have set out a comprehensive scoreboard to measure numerous aspects of service delivery, and many of our staff are taking on the challenge to improve these KPIs.

Conversely, we made the least progress in the '**Excellence**' value: it is still not always natural for many of our leaders to challenge the way we did things in the past in order to make a jump in efficiency. We must therefore make it a natural habit for our leaders to benchmark their functions against our 'best-in-class' competitors and accept at IDS we can also achieve this.

1.3 What we plan to do in FY2021
In FY2021, we will continue to utilise the ongoing modes of communication and actively both correct and praise behaviours to adopt a more lasting cultural change.

2. Delivering continuation to our leadership development programme

A second pillar of our HR efforts is the rollout of our key leadership principles, in the form of our **management development programme**. This programme addresses all staff with leadership responsibility. The key areas we focus on are set out in the graphic below:

2.1 What we did in FY2020
During FY2020, we continued our management development programme and focused specifically on our middle management tier, covering over 45 managers and potential future managers across our business. This consisted of embedding the leadership principles framework we established in our original workshop in FY2018. We focused on practical areas which the IDS management team identified as being key to enhancing their performance in their leadership roles.

The workshop consisted of a two-day programme carried out during Q1 FY2020 and focused on developing and educating our teams on an IDS 'practical tool kit' in the following areas:

1. How to lead by example using our IDS values;
2. How to recruit, select the best with ambition and business sense;
3. Motivation and development techniques; and
4. Managing performance and holding difficult conversations.

The workshop was led by myself and the local HR team with the support of an external facilitator. The two days provided a great opportunity for our teams to share their experiences and learn from each other as well as providing IDS management a practical tool kit on our key people processes.

2.2 Scorecard: what we achieved and where we missed
Over the past three years we have invested in several workshops within our management tiers to raise the standard of what is expected as an IDS leader. We have built a foundation with our leadership principles, a practical tool kit which covers our standard practices and processes across the Group, alongside a much wider understanding within our management team. It is evident that within the Group, there is a much wider understanding of both managerial expectations and how to more effectively manage our teams.

2.3 What we plan to do in FY2021
During the next year our focus will be centred on further deepening the learning from the workshops by continuing to provide direction within our management tiers. More specifically we will emphasise this via management feedback sessions between the Executive Management Team and management layers. Where needed individual coaching will be provided.

3. Employee engagement

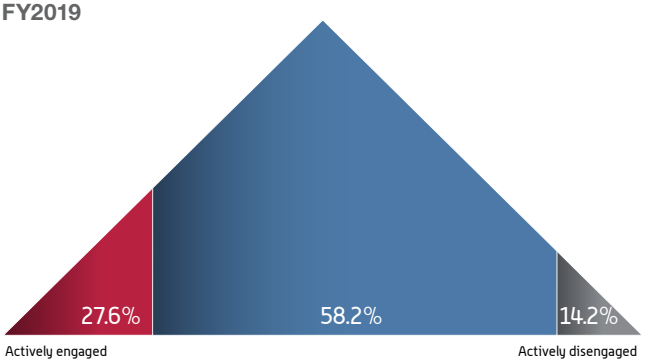
Our goal is to become a 'Great Place to Work'. Having employees in the Group who are fully engaged is key not only to improved business performance, but also for employee satisfaction within our workplace. Therefore, each year we continue to undertake our employee engagement survey, which provides us with an indication of the levels of engagement across our sites, functions and overall across the Group. This information provides us with key data and allows us to understand where we need to focus our attention to deliver improvements or where we need to sustain positive engagement moving into the next financial year. We continue to utilise the same external tool for consistency and objectivity.

The engagement tool focuses on the extremes, i.e. people whom are either actively engaged versus those who are actively disengaged. We recognise that actively engaged people are fully involved in, enthusiastic about and add value to their work. They are productive, willing to learn and ultimately have a positive impact on all the people around them. Optimum levels of engagement are represented by a 4:1 ratio, meaning you require four actively engaged employees to offset the negative effect of one actively disengaged employee.

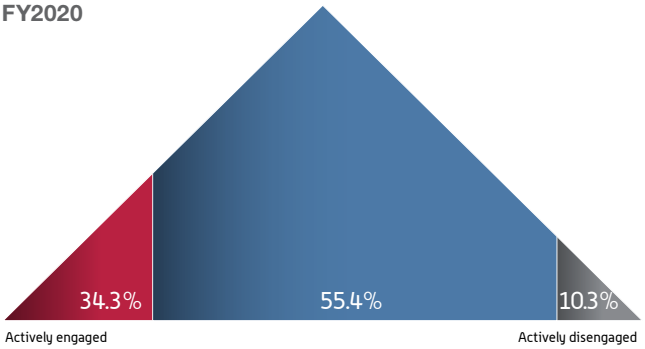
3.1 What we did in FY2020
The last survey was completed in February 2020. The survey is consistently undertaken around the same time each year.

3.2 Scorecard: what we achieved and where we missed
In the February 2020 survey we achieved an **87% survey completion rate (9% increase on FY2019)**. Our overall employee engagement ratio provided the best results we have had since we started the survey, moving from **2.0:1 as at FY2019 to 3.3:1 as at FY2020**. *(This translates as: 'for every one disengaged employee, we have over three who are actively engaged').*

FY2019



FY2020



Whilst the results have moved in the right direction, it is important to recognise that this is the overall Group results, and individual functions and sites differ considerably.

The Executive Management Team have discussed the results in detail and whilst they are satisfied the engagement results have improved overall they will **develop an action plan to identify and remedy the causes for those functions and sites which have lower engagement levels**.

3.3 What we plan to do in FY2021

The action plan to work on employee engagement will focus on **interactive workshops** for each of our functions that will not only address the pockets of low levels of engagement, but also aim to understand what we do well in order to carry this forward into other functions/sites. The engagement workshops will involve the functional leader, members of the team and be supported by local HR business partners. The aim is to carry this out during the first quarter of FY2021. We will measure our management team on the delivery of the required actions after the workshops.

Our goal for the next survey is yet another improvement with the ultimate goal being an engagement ratio of 4:1.

4. Talent Management

4.1 What we did in FY2020

In FY2020, we continued to **assess the talent profile** within several of our management tiers from Executive, senior and middle management, comprising around 80 employees. The key aspects were centred around:

a) Technical competence within the role;
b) Business sense;
c) Management and leadership;
d) Level of ambition;
e) Working within our IDS values; and
f) Development ability.

This has helped us identify a talent pool of eight staff who have the potential for accelerated development, and we will work specifically with them to make sure they reach their potential.

Conversely, we identified some departments where we saw talent gaps. In this case we had to make decisions to change some teams, i.e. bring in new talent or exit poor performers. This in turn 'raised the average' and introduced absent skills or personality traits.

Secondly, the **recruitment of new team members** with growth potential remains a key goal of IDS. We strive to create an environment where we can use our talent pool from within to fill our internal recruitment gaps. During FY2020, we were able to use our talent pool to fast track a number of employees into broader roles or make internal promotions. Where this isn't possible, we have to be innovative in how we seek to attract candidates from the external market towards a small organisation with potentially less name recognition than our peers. This means we have to 'sell' our values, the ability for a candidate to make change and take decisions without unnecessary bureaucracy, and the potential for exercising leadership in a culture characterised by openness and lack of political games. As within FY2019 we are proud that during FY2020, we continued to attract a number of high calibre, experienced employees from various backgrounds to come and work at IDS.

Thirdly, as in FY2019, we have placed a strong focus on managing any poor performers across the Group and have taken action to correct all poor performance identified, in the form of improvement plans, additional training and general support to enhance employee performance. Where performance was unable to be improved we have initiated discussions on outplacement.

4.2 Scorecard: what we achieved and where we missed

We have added new talent from outside IDS and developed/promoted our own internal talent. Career development plans will continue to be a key factor in realising our employees' potential. We believe our efforts have raised the level of technical capabilities and business sense within the team, however, we still feel we have more work to do to improve the ambition levels of our team.

4.3 What we want to achieve in FY2021

During FY2021, we will follow up monthly on talent management skills, business sense and leadership. These will be key attributes to help IDS support our people and customers through the period of the COVID-19 pandemic and ensure a quick uptake of our business once the pandemic subsides. An essential cornerstone will also be that we work with and through our people to increase the level of ambition throughout the organisation.

Nicola Mitton
HR Director
16 June 2020

CHAIRMAN'S STATEMENT

"At Berkshire full reporting means giving you the information which we would wish you to give to us if our positions were reversed."

Warren Buffett

1. Introduction

For IDS, FY2020 was the second consecutive year of revenue growth with an increase of 2% (2019: 1%) on a like for like ('LFL') basis. Thus, the Group met its stated target of LFL revenue growth. Our Automated business returned to growth, with revenues improving 4% LFL (2019: 1% LFL decline). This was further supported by the continued strong performance of our Technology business unit, with revenues growing 30% LFL (2019: 32% LFL growth).

In FY2020, management focused on re-igniting growth. I would like to highlight the following aspects:

a) The opportunity in Autoimmune ('AI') diseases became a focal point of our sales efforts in areas where we can sell with a CE-mark, i.e. Europe and a large part of the distributor universe. In the previous year, the sales organisation had collected information on users of these tests, generating information to improve the lead identification and lead qualification in our CRM system. In the current year, we focused on delivering these sales opportunities and were able to place 42 instruments in laboratories with an AI focus, via our direct and distribution sales channels.

   Our generic advantage is that the IDS analyser is one of very few random-access instruments used in this field. In addition, we learned that many users like to run AI tests in conjunction with tests for endocrinology markers. To our knowledge we are the only supplier with a menu covering both areas, giving us a unique market proposition.

b) A second thrust for accelerating growth has been the geographical expansion of the IDS business. We have successfully expanded our automated distribution footprint through a network of new distributors, and expanded business with our historical distribution partners. In particular, during FY2020, we have been successful growing this business in South America. Revenue through this channel has almost doubled since 2017.

Beyond these initiatives for the acceleration of growth, the Executive Management Team continued to work on the internal projects as set out in the Annual Report and Accounts 2019, in particular a culture change with more value put on personal responsibility, accountability and upgrading our talent pool.

Further detail on these activities is set out in the CEO's report and Nicola provides you with more insight into what was completed in the HR/Corporate Culture areas in her Talent and People Management Report on page 6.

2. Key performance indicators ('KPIs')

Jaap will give you an update on the performance of the business in the CEO's report. Below I have just summarised the key points:

Key achievements:

a) **Placements:** We achieved 150 instrument sales or placements (2019: 127) in all channels, i.e. direct sales territories, sales to distributors and to OEM partners;

b) **Menu:** Our total menu increased to 141 assays (2019: 135), driven by additional partner assays; and

c) **Regulatory approvals:** We registered one more product in the US and submitted a second for approval. We also created a new team who have made good progress to ensure our assays are IVDR compliant by May 2022, when these new regulations are scheduled to be implemented.

We missed on the following goals:

a) **Product development:** While we released improved versions of two of our key automated assays, we did not release any new endocrinology assays. This was mainly due to slippage in the development timelines. We believe the new development process, implemented part way through the year, will improve the speed of our development. We have reviewed our capabilities in this area, and made some changes, and this will be a core focus in FY2021.

b) **Corporate development:** Despite investigating a number of acquisition opportunities, we were not able to close any deals. Undertaking an appropriate acquisition remains central to IDS's growth strategy. We will continue discussions with one of the targets we approached during FY2020, and will also seek new acquisition opportunities. We feel the double challenges the industry faces in terms of COVID-19 and IVDR implementation may impact valuations in FY2021 and provide opportunity for IDS in this area.

3. Financials

Paul will give you an in-depth review of the financials for FY2020 in the Financial and Operations Review. I would like to highlight the following points:

Key achievements

a) **Revenue LFL growth:** We were able to accelerate Group LFL revenue growth slightly from 1% in FY2019 to 2% in FY2020. This was mainly due to strong growth in the second half of the year, where the business grew 7% LFL versus the second half of FY2019;

b) **Gross margin:** Gross margin improved by 1%, from 43% in FY2019 to 44% in FY2020; and

c) **Opex:** Operating costs declined by 2%, leading to an adjusted EBITDA improvement from 12% in FY2019 to 15% in FY2020.

What we did not achieve?

a) **Productivity/benchmarking:** While we improved some cost metrics in the last financial year there is still a significant gap to the best-in-class competitors.

b) **Free cash flow:** We were not able to grow our cash balance, due to an increase in working capital requirements, mainly driven by the phasing of revenue towards the end of the year, meaning the related debtors balances had not been collected by year end.

4. Board matters

4.1 Board composition

There were no changes in our Executive Board: Jaap continues as Chief Executive Officer, delivering on the strategy of putting the Group back on a path of growth.

Jaap could not have achieved this goal without the support of Paul Martin, our Group Finance Director. In FY2020 Paul was still significantly involved in operational projects. During H2 FY2020, we recruited a Group Operations Director so Paul should be able to re-focus on the core financial themes as well as Corporate Development.

There is no change in the Non-executive Director team, and I believe the Board continues to work efficiently.

4.2 Board process in FY2020

During FY2020 the Board had five meetings, four of which took place in person while the meeting scheduled for March 2020 was held by conference call.

4.3 Ownership of IDS shares by Board members
A number of Board members continued to invest in the IDS business during the year, a summary of their holdings is set out below. I like the notion of having 'skin in the game', so I take this as a sign of confidence in the business by the people who are close to it:

	Holding at 31 Mar 20	Holding at 31 Mar 19
Dr B Wittek	7,971,530	7,971,530
Mr J Stuut	7,500	5,000
Mr P J Martin	22,350	19,350
Dr K P Kaspar	18,100	18,100
Mr P J Williamson	45,000	40,000

5. Dividend and share buybacks

Our stated dividend policy is to pay out 25–30% of adjusted basic EPS as dividends. Adjusted basic EPS in FY2020 was 7.4p (2019: 2.4p). Thus, the Board proposes a dividend of 1.9p (2019: 0.7p) – implying a pay-out ratio of 26% (2019: 29%) Based on our closing share price on 31 March 2020 this implies a dividend yield of circa 0.9%. The total amount payable to our shareholders is circa £0.5m.

There were no share buy backs performed during the year.

6. Employees

I would like to thank all of our staff for their effort and commitment in the last year. We will continue to need you and your commitment to make IDS a company which will be a stronger and a more successful competitor going forward. Reaching a second year of LFL revenue growth is a significant success for a company which faced significant headwinds for a four-year period before this. I hope you have the same feeling of pride that I do when looking back to over the achievements of the last 12 months.

7. Outlook

FY2020 was the second consecutive year of LFL revenue growth. We also improved several operational KPIs which suggest positive momentum, e.g. placements which will become fully effective next financial year.

The COVID-19 pandemic will impact our ability to continue on this trajectory. Whilst we saw a significant decline in demand for in-vitro testing during April and May as healthcare providers focused on treating COVID-19 patients, recent trading is improving. The impact of the pandemic will be temporary, and once the pandemic becomes under control we should be able to harvest the benefits of the actions taken in FY2020 in order to accelerate our growth.

We are working to manufacture and commercialise CLIA and ELISA tests to detect SARS-CoV-2 antibodies, combining our resources and capabilities with partners who complement our skill set with their virology know-how. A summary of the opportunities we are working on is set out in Jaap's CEO report, and we will update the market via RNS if there is any significant news in this area.

What has not changed, though, is my conviction that IDS continues to be a good business: the automated part of the IDS business is a razor/razorblade-type business with recurring revenues at a very predictable rate.

Dr Burkhard Wittek
Chairman
16 June 2020

CASE STUDY
HORMON & STOFFWECHSELZENTRUM MAINZ

"Osteologists need reliable and precise assays with low variability and without lot to lot fluctuations for effective patient management and to cope with the high workload.

We require excellence in bone and growth assays, and robust, low maintenance machines. IDS has proved to be a trustworthy partner, focusing on our specific needs as a specialised endocrine diagnostics laboratory."

Prof. Dr. med. Dr. h.c. Christian Wüster
Hormon & Stoffwechselzentrum
Mainz, Germany

1. Introduction

IDS is in the business of developing, manufacturing and selling in-vitro diagnostics ('IVD') tests. These are diagnostic tests which are performed in laboratories based on blood and serum samples taken from the body of patients.

Within the market for IVD tests there are several technologies, with IDS assays being based on immunoassay technology. An immunoassay is a test which uses an antibody or antigen to help separate, and then subsequently measure, the concentration of a specific substance within a patient sample.

We organise our business into three business units:

a) In our Automated IVD business we offer an analyser instrument which automates nearly all steps required to perform a test. To obtain this level of automation the tests need to be designed on a bespoke basis to fit the parameters of this machine, i.e. they can only run on our machine, and our machine only functions with our assays. This defines a closed system, and there is barely any 'pirating' due to the criticality of the testing. Our analyser works using Chemi-Luminescence Immuno Assay ('CLIA') technology.

b) In our Manual IVD business we sell assay kits which are used by laboratory technicians to perform tests manually. Nearly all of these are ELISA kits, which are the standard type of test used in smaller laboratories. We also have a small range of radio-immunoassays which are used by laboratories having the required equipment, processes and certifications to handle radioactive tests.

   Larger laboratories using manual tests will often use equipment to automate selected process steps. These are open systems, i.e. they can handle tests from multiple suppliers.

c) While the first two businesses sell to laboratories, our Technology division monetises the technology and know-how we own through OEM partners, i.e. other IVD companies who use our technology but label it with their brand. There are two segments within this business:

- The instrument unit markets our IDS analysers to other IVD companies which have not developed their own instruments.
- The biological unit licenses or sells antibodies to other IVD companies that want to complement their product range with these tests but lack an antibody as the core of the test.

An overview of the financials of the three business units in which IDS operates is set out below:

	Automated £000	Manual £000	Technology £000	Total £000
Revenue FY2020	**23.4**	**11.4**	**4.6**	**39.3**
Revenue FY2019	22.6	12.3	3.6	38.5
Adjusted EBITDA FY2020	**3.4**	**2.0**	**0.7**	**6.1**
Adjusted EBITDA before adoption of IFRS 16	***2.9***	***1.8***	***0.7***	***5.4***
Adjusted EBITDA FY2019	1.9	2.8	0.1	4.8

2. Automated IVD business

2.1 Business description

The Automated IVD business comprises the sale or placement of our IDS instrument, in addition to selling automated assays and consumables for use with these instruments.

2.2 Revenue model

The typical revenue model in a country where we have a direct sales organisation is to place an instrument for no up-front costs to the customer, against a contract to buy a certain number of assays and consumables for a period of several years. A typical contract will run for a fixed period of at least three years. The renewal rate in the industry after the end of this term tends to be around 90+%, i.e. the churn rate is around three percent per annum.

The larger the number of assays which run on a given system, the higher the prospects of renewal as the search for substitute suppliers becomes more complex.

In FY2020, IDS had 25 returns out of an installed base of 356 instruments implying a churn rate of 7% (2019: 7%) in the year, above industry standards of 3% per annum. This is due to the low number of different assays run on an instrument (currently nearly six), with some instruments still used as single-assays instruments. Over the last few years we have gradually increased the number of assays run on each instrument, and thus we expect our churn rate to decrease as the number of different assays run on an instrument increase.

In territories where we utilise distributors, we sell the instruments and assays to distributors who will in turn place them with their customers against a commitment to buy assays for several years.

2.3 Competition and competitive advantage

2.3.1 Overview and market share

Our competitors in the automated IVD business fall into two categories:

a) The four major suppliers of high-performance closed-system analysers for central laboratories. We refer to them collectively as the 'four workhorse suppliers'. The instrument they place in a laboratory is large with high throughput and tends to be used as the 'workhorse', processing 60–80% of total test volumes. The four workhorse suppliers have an estimated 60-70% market share by value of the global automated immunodiagnostics market.

b) Approximately six specialists supplying low and medium performance closed-system analysers for specialised niche indication areas. In our core field of endocrinology, our main competitor is DiaSorin. IDS is the smallest of these specialists.

2.3.2 Competitive advantage

IDS is a small niche player in the global market for immunoassays.

In the automated immunoassay market, the way for smaller competitors to compete is to specialise in selected indication areas, each of which:

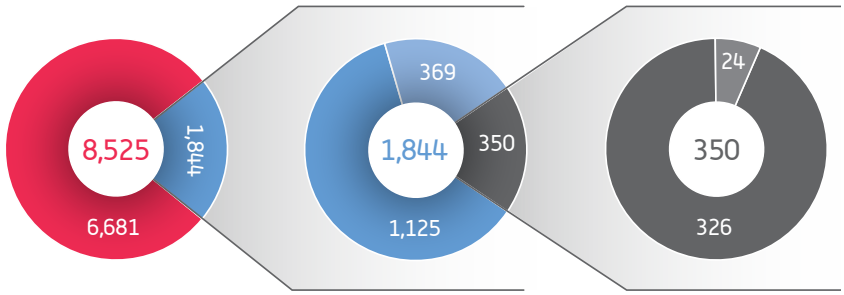
- Requires special clinical know-how;
- Have dedicated opinion leaders; and
- Have part of the market concentrated in specialised laboratories.

The core indication area of IDS is endocrinology. In endocrinology we are a player who is recognised by market participants as relevant and significant. This allows us to build up a network of key opinion leaders who reinforce our position.

In the chart below, 25-OH Vitamin D is excluded both from the market definition of endocrinology and from IDS revenues as it has outgrown the speciality endocrinology niche and is now serving several indication areas.

Our market

Global immunoassay market $m



Endocrinology
Other

Endocrinology market $m

Automated routine
Automated speciality
Other

Automated speciality endocrinology market $m

IDS
Other

Within endocrinology there is a set of routine assays performed in very high volumes which are typically run on the workhorses (for example thyroid markers) and have commodity characteristics. However, there is a large tail of speciality endocrinology assays with global market volume typically below $50m per assay. Due to the limited market potential, these assays are typically not offered by suppliers of the workhorses. Even when they are available, laboratories may well decide to run them on a speciality device in order not to occupy a test slot on the workhorse.

These speciality endocrinology assays define the niche upon which IDS focuses. The IDS revenues above are achieved with our 'endocrinology excellence menu', i.e. all endocrinology assays excluding 25-OH Vitamin D. With a market share of circa 7% (2019: 6%) of the automated endocrinology speciality market we are the third-largest player in this field.

Strategically we have taken a decision to commit resources to the speciality endocrinology indication area in order to grow our market share in this niche. Within endocrinology specialties we have historically been strong in testing for bone and calcium metabolism areas, as well as growth. We are now branching out into other areas within endocrinology: for example, our most recently introduced assays involve testing for fertility and hypertension related symptoms, which are based on endocrinological markers.

We would rather have a share of 10% in this specialist field than have a smaller share in a much larger market. As a small company, focusing on a specialist niche allows us to build up a reputation for competence and credibility within that field. Furthermore, the likelihood of the workhorse manufacturer entering the field is reduced, as the volumes are not sufficiently large to be attractive to them.

2.3.3 Additional indication areas

To complement our existing range of endocrinology products, IDS is expanding into the following niche assay fields through collaborations with our partners who developed assays running on IDS instruments with the assistance of our Technology business:

Autoimmunity

As a result of our partnership with Technogenetics we now have the global sales rights to 29 niche autoimmune assay tests, as well as 23 infectious disease assays, all of which are IDS branded and CE-marked.

We believe the short-term potential for IDS resides in the speciality autoimmune market. Global testing revenues in this market are estimated at €450m, of which Europe amounts to €150m, substantially all of which is in IDS's direct sales markets of Germany, France and the UK.

The main competition in automated solutions for autoimmune testing comes from Orgentec, Inova and Phadia. We believe we have a competitive advantage in two respects:

a) Within autoimmunity some applications need a combination of endocrinology and autoimmune tests for the clinician to get a complete diagnostic assessment, e.g. in rheumatology. None of the three competitors above offer this combined menu. Thus, a laboratory would need an instrument from them plus a second instrument for the complementary endocrinology assays, either from a workhorse supplier or IDS.

   Using the IDS analyser thus saves space and the complexity of aliquoting – i.e. splitting the samples to run them on two different instruments.

b) The IDS analyser has significant functional advantages over the instruments offered by two of our competitors, mainly due to its random-access ability, speed and the ability to run controls which are compliant with the requirements of the recommendations of the relevant medical societies.

During FY2020, we have seen that our combined autoimmune/endocrinology offering is attractive to the market, with sales of autoimmune assays increasing 74% LFL versus FY2019.

Allergy

Our partnership with Omega Diagnostics gives IDS the global exclusive distribution rights to 67 automated allergy tests. These are already CE-marked and sold under the IDS brand. Our portfolio was launched in March 2019.

The global market for IVD testing for allergies is around €650m, with the European market size estimated at around €250m. The market is dominated by Phadia who have a 70-80% market share. They generally focus on high volume laboratories with their entry-level instrument having a no random-access capability between assay panels. We believe the IDS analyser allows profitable placements in small to medium size laboratories, giving them the benefit of a small analyser footprint and random-access capabilities.

The key barrier to entry in this market is the sheer number of assays, and allergy screens, which are needed to be competitive. Phadia offers assay tests for over 650 different allergens, with related screening tests. We believe that a panel of the most common allergy screening tests is needed to gain a foothold in the field, and these assays are not currently part of the IDS portfolio (IDS can fulfil approximately 70% of a laboratory's requirements). We will work with partners to accelerate the development of these assays.

Biotherapy monitoring

In the previous year, we agreed a partnership with Theradiag, a leading provider of biotherapy monitoring products. Under this deal IDS will sell analysers and consumables to Theradiag, who will automate their assays on the IDS analyser. Additionally, IDS have secured distribution rights to Theradiag's existing range of ELISA-based biotherapy monitoring products, along with the upcoming automated products, in a selected number of territories including Germany, the Nordics and Latin America. Theradiag CE-marked the first four automated products in March 2020, and we anticipate making the first sales of these products in FY2021.

2.4 IDS customer value proposition

Our customer value proposition in the core business of automated assays comes from various sources:

a) Based on the assays we offer:

- In some instances, we have assays which are not offered by the suppliers of the workhorse we encounter in the laboratory, i.e. we are unique. If the laboratory runs a sufficiently large menu of such assays the laboratory will consider placing an IDS analyser. Therefore, lead qualification is important in our business – our USP in assays is not generic, but specific to labs running a certain portfolio of tests geared to our strength.

- In other instances, we have assays which are offered by the workhorse suppliers, but our assays have an additional benefit. For example, that could be improved performance characteristics like sensitivity and specificity. In the case of our panel for growth testing we have generated additional clinical data which help the users interpret the results from the tests meaningfully and initiate a better therapy.

b) Our instrument is considered technologically strong, with high reliability/uptime, a very small footprint and the ability to be integrated into a laboratory tracking system.

c) Last, but definitely not least, we offer a very high level of service to our customers. This commences with training at the beginning of our co-operation, followed by clinical advice in the interpretation of results, and routine technical service for the analyser. We maintain our own field sales and technical service organisations in all territories where we sell directly.

2.5 Profitability

Gross margins in the Automated part of our business are high, slightly above the level of gross margins available in the Manual IVD business, but this gross margin is required to cover the depreciation of the instruments which tend to be placed for no up-front fee with laboratories.

We have invested in an infrastructure to grow this business further:

a) We place instruments with customers for no up-front costs, so they have 'razors', so we can then sell them 'razorblades', i.e. automated assays and other consumables. IDS retains ownership of the instrument, and thus bears the depreciation costs.

b) Nearly all of the research and development spend incurred by IDS relates to instrument development and assay automation.

c) We maintain a substantial technical service/field service organisation to support customer's queries relating to IDS analyser instruments and automated assays.

EBITDA in our Automated business increased to 14% in FY2020 (2019: 8%), due to higher revenues and production efficiency initiatives.

3. Manual IVD business

3.1 Business description

In this business segment we sell manual assays to laboratories which do not have the size to warrant the placement of an automated system. Additionally, a laboratory may complement their workhorse system with a small department for manual testing if these tests are not offered by the workhorse supplier. Thus, volumes per assay are smaller and revenues per customer lower than in the Automated business.

Nearly all of our sales within this market are ELISA assays, which are now the standard type of test in smaller laboratories. In an ELISA kit the concentration of the substance being testing is measured using a colorimetric scale.

We also have a small range of radio-immuno assays ('RIA'). These assays measure the concentration of substance being tested based on a radioactive marker, thus are only used by labs having the required equipment, processes and certifications to handle radioactive tests. Due to the additional complexities of these legislative requirements, the global market for RIA testing is shrinking.

Larger laboratories which use manual tests often utilise equipment to automate selected process steps. These instruments are generally open systems, meaning they are compatible with ELISA assays from a multitude of suppliers. IDS do not manufacture such equipment, but our assay tests are compatible with the main brands (e.g. Bio-Rad and Dynex).

Manual assays have two types of use:

a) **Clinical use.** Here assays are used to test humans for all sorts of screening and diagnostic questions. All assays need regulatory approval.

b) **Research use only ('RUO').** In this application assays are used for scientific experiments or in conjunction with clinical tests of therapeutics. No regulatory approval is required.

The current business of IDS is substantially all related to clinical use. This will be the area we will continue to focus on as the required regulatory approvals limit the number of competitors.

3.2 Revenue model
The revenue in this business is straightforward: we sell assays and ancillaries for cash.

3.3 Competition and competitive advantage
The competitive structure in the manual immunoassay business is very fragmented: there are few players with global revenues over $100m, five to ten players in the $20m-$100m range, and a long tail-end of small specialists.

The manual portfolio of IDS consists largely of endocrinology assays; thus, we compete against specialists in this area. The basis for our competitive advantage in this area is our special expertise in the area of endocrinology which allows us to give our customers additional value added in areas such as clinical expertise.

3.4 IDS customer value proposition
The IDS product range offers 122 different manual assays. These are supplemented by a range of third-party assays which we distribute. This range of assays complements our automated range – often filling gaps in our automated panel in areas where the low volume of tests does not warrant the use of automated assays. Additionally, as a recognised endocrinology expert, we are able to provide very high levels of technical and customer support.

3.5 Profitability
Gross margins in this business are slightly lower than in the automated part of the IVD business however operating costs for this business are relatively moderate. EBITDA decreased to 17% in the current financial year (2019: 22%) mainly due to the lower revenue levels in the business.

4. Technology

4.1 Business description
The technology part of our business deals with monetising our technology and know-how to OEMs, i.e. mostly other companies in the field of IVD. It is sub-segmented as follows:

a) Biological technology: supplying proprietary antibodies and assays with unique characteristics; and
b) Instrument technology: marketing the IDS analyser instrument technology.

4.2 Revenue model
The revenue models in these segments are made up as follows:

a) In biological technology such as assay and antibodies: predominantly royalties plus goods delivered; and
b) In instrument technology: milestones at defined stages of development and a margin on hardware and consumables revenues.

4.3 Competition and competitive advantage
4.3.1 Biological technology
On the biological side we compete antibody by antibody and assay by assay, based on technological performance. It can be very difficult to copy an outstanding antibody as they are often derived from specific animals, and each animal will produce slightly different antibodies to the same stimulus. Thus, where our antibodies are unique and of high quality we have a nice niche business.

If an assay starts growing in popularity, and the assay manufacturer sources the antibody from an external supplier like IDS, there is an economic incentive for them to produce an antibody in-house. This is what happened to IDS historically, where our largest antibody customer decided to take the risk of in-sourcing this antibody, leading to IDS suffering significant declines in royalty income from FY2016 to FY2018.

4.3.2 Instrument technology

On the instrumentation side we compete with:

a) Outsourcing specialists like Tecan and customer developers like Stratec;
b) Internal development groups of IVD companies.

Our competitive advantage against outsourcing specialists is largely that we offer an 'off the shelf' solution, i.e. a product design which is available now, has a proven track record and can be slightly adapted if required. The outsourcing specialists are not allowed to market designs developed for certain customers freely to other customers. They tend to offer a bespoke approach starting from scratch or a base module. To get from that to a product ready for marketing will typically take several years and cost several millions of pounds.

The competition against the internal development groups of IVD companies is more complex, as these companies will have a lot of patience with their groups and are willing to invest a lot of money. The decision to outsource or develop in-house can often be distorted by political considerations ('not invented here').

4.4 IDS customer value proposition

4.4.1 Biologicals

Our focus on endocrinology has generated some antibodies and assays which are recognised in the industry as 'best-in-class'. This is mostly defined by performance characteristics, e.g. sensitivity or specificity. Thus, we continue to receive requests to out license this technology.

4.4.2 Instrument technology

The IDS system is one of the best random-access instruments in its price/performance category, with a nominal speed of 80-100 tests per hour. Customers with exposure to competing instruments confirm to us that the reliability of our machine – measured by mean time between failures ('MTBF') and uptime is better than the products from our competitors in the comparable performance class.

The key to success in this business unit is continued progress by our research and development team in developing new instrument technology which can be monetised by our commercial team. IDS is the only company in the market offering random access system solutions with the experience of an IVD company, which gives us a technology proposition which is interesting to multiple potential partners. Our second value proposition is that we offer this instrument 'off the shelf', eliminating many years of development time and milestone payments. We think these value propositions are interesting to smaller and mid-sized IVD companies who have not yet defined an automated solution to their manual businesses.

Agreeing commercial terms with partners is also important in this business. While we do not see a commercial conflict in offering IDS technology (both assay and instrument) to our partners, we need to ensure we restrict the fields in which this technology can be used, so as not to create direct competition between our partners and our own Automated business unit.

4.5 Profitability

Margin in this business varies significantly based on product mix. The intellectual property related income streams, mainly generated in the biologicals segment, have very high margins. However, margins on sales of analysers and related consumables to OEM customers tend to be lower than the margins achieved on our core assay business. We pursue this business line nevertheless as it helps us to achieve higher production volumes, thus reducing unit costs overall.

EBITDA margin increased to 15% (2019: 4%) due to higher revenue levels and the inclusion of revenue related to a higher margin license milestone from an OEM customer during the year.

CEO'S REPORT

"During FY2020, we delivered our second consecutive year of LFL revenue growth. Our core Automated business returned to growth, and within this business our analyser placement performance was strong, resulting in the biggest increase in our installed base since 2014. The business is well positioned to maintain this growth once the COVID-19 crisis subsides."

Jaap Stuut,
Chief Executive

1. Overview

During FY2020, total Group revenues increased by 2% on a LFL basis to £39.3m, as well as delivering the strongest instrument placement performance since 2014.

I was pleased to see that everyone in the IDS team put in significant effort to deliver a second consecutive year of LFL revenue growth. I would like to thank all the employees at IDS for their efforts and going the extra mile in achieving this result, despite the challenges caused by COVID-19 towards the end of the year.

Our Automated business recorded LFL revenue growth of 4%. This was established using our offering of a full random-access system with a combined menu of endocrinology, autoimmunity and infectious disease assays. Within our Automated business unit, autoimmunity and infectious disease sales have grown 74% on a LFL basis. Performance of our Automated business in our distribution markets was particularly strong, with these territories delivering 30% LFL growth.

We also achieved strong growth within our Technology business, which exhibited 30% LFL revenue growth.

Instrument sales/placement performance resulted in a total of 150 instruments being placed or sold across both the Automated and Technology business units, an increase of 18% year on year.

Disappointingly, our Manual business revenue declined by 8% LFL, due to lower sales of ELISA's in our direct markets, which was not offset by the growth in our distribution markets.

On the people side, a strong focus on the IDS culture and values was combined with improving our efforts to set clear targets for all team members. A continual review of the performance and talents of all customer-facing team members was an area of focus in the year, and where needed improvements were made. This approach will be adopted across all teams in FY2021.

Changes we made in our regulatory approval process have delivered progress in obtaining regulatory approvals both in the US and China. We have also made considerable progress in our preparation for the implementation of the new IVDR regulatory framework that will be imposed in May 2022.

Unfortunately, we did not see improvements within our internal assay research and development function, with no new assays released during the year. However, we did progress a number of assays along the research and development stage gate process, and released improved versions of two of our key assays.

Looking forward, FY2021 will be affected by the COVID-19 pandemic. We have put our employee's safety and wellbeing first whilst we take care to ensure continuous product supply and service for our customers. We will continue to intensify our efforts to generate new business and reduce our costs. Furthermore, we will continue to pursue our successful growth strategy via clear target setting and customer focus in all departments and adapt to the COVID-19 circumstances as required.

2. Automated business unit

2.1 Business segment revenue

	2020 £000	2019 LFL £000	2019 £000	LFL change %	Change %
25-OH Vitamin D	**4,822**	5,581	5,537	-14%	-13%
Speciality – IDS	**14,083**	13,659	13,737	3%	3%
Speciality – Partners	**2,282**	1,314	1,332	74%	71%
Instrument Sales and Service	**2,197**	2,012	2,029	9%	8%
Total	**23,384**	22,566	22,635	4%	3%

In FY2020, Automated business revenues increased by 4% LFL. This business unit accounts for 59% (2019: 59%) of Group revenues.

25-OH Vitamin D assay revenues continued to decline driven by the general reduction in demand and lower reimbursement levels for 25-OH Vitamin D assays, along with the consolidation of this test onto workhorse analysers. Additionally, in the US there has been a significant drop in the reimbursement rate for this test, with it falling by 27% over the last three years. Revenue reduced by 14% versus the prior year on a LFL basis, mainly driven by a decline in the US, which we expect to continue.

Speciality – IDS revenues (i.e. from assays developed by IDS) increased by 3%. Strong growth in our distribution channels, coupled with modest growth in our main European direct sales markets, was offset by revenue declines in the US and Brazil. Brazil faced the impact of the loss of one high volume customer at the start of the year, but subsequently enlarged their installed base during the remainder of the year by signing several new customers which will show an increased assay demand during FY2021.

Speciality – Partners revenue encompasses the sales of IDS branded assays developed and manufactured by IDS's partners, and mainly comprises revenue from our autoimmune product portfolio. Our combined endocrinology/autoimmune panel continues to be well received in the market, generating LFL revenue growth of 74% in this segment. We will focus on leveraging our increased installed base and intensify our efforts both from our sales team and our autoimmune clinical application specialists (CAS) to find new business.

Income from **instrument sales** has grown 9% year-on-year on a LFL basis. This is driven through an increase in analysers sold during the year into distribution channels, coupled with increased instrument spare parts orders arising from the larger installed base in distribution markets.

2.2 Key success factors

2.2.1 Completion of endocrinology reagent portfolio

The endocrinology assay menu of IDS remains specialised but lacks some critical assays to offer a complete testing suite for certain indication areas. Thus, we remain focused on the completion of our hypertension and fertility/steroids panels.

While assays progressed through the stage-gate based development process, we did not meet our expectations for new assay releases during the year. However, we successfully released two improved versions of key assays, and our new automated cortisol assay is due to be released imminently.

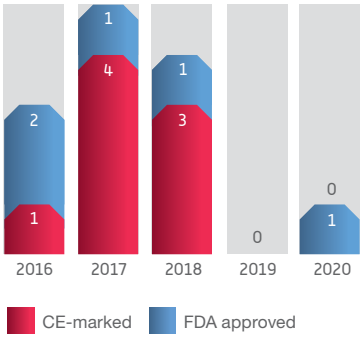
During the year we obtained FDA approval for an additional assay, bringing the total number of assays available for sale in the US to 11. Our US endocrinology menu, however, remains sub-critical in size. In the mid-term we will be looking to expand this panel through approval of additional IDS assays, as well as working with our partners to obtain FDA approval for their assays. One further assay was submitted for approval in FY2020, and we target this to be available for sale in the US during FY2021.

In China we have four assays registered. The Chinese regulators (NMPA) require medical devices to be re-registered on a periodic basis, and we substantially completed this re-registration process for our on-market assays and instruments during the year. We have appointed specialist registration agents in China, a role previously fulfilled by our local distributor. As a result, we have seen an acceleration in registration progress, and are now well advanced with the registration of our 25-OH Vitamin D assay which was submitted to the Chinese regulators for approval in FY2020. We target this assay being available for sale during FY2021, followed rapidly by further endocrinology panel assays which will give us additional growth potential in China.

As a result, the number of automated endocrinology assays produced internally by IDS is:

Regulatory approval	**Assays end of FY2020**	Assays end of FY2019
Assays with the CE mark	**22**	22
Assays with FDA approval	**11**	10
Assays with NMPA approval	**4**	4

Assay launches



2.2.2 Other assay fields

One of the highlights of the year has been the growth we have achieved in sales of assays outside our historical key market of endocrinology. This revenue is shown under the 'Speciality Partners' caption.

We work with partners, who are experts in their respective fields, to develop and commercialise assays which can be run on the IDS instrument. The partner typically develops and manufactures the assays, while IDS applies for regulatory approval and provides the commercial route to market for the products.

These relationships take several years to generate commercial benefit because individual assays typically take a couple of years for our partners to develop, then a sufficiently large assay panel needs to be developed to provide hospitals and laboratories with a compelling commercial proposition. We are now starting to see the fruits of these efforts, with revenues in these fields growing 74% LFL to £2.3m.

During the year we have continued to enhance our levels of co-operation with our partners, and we would like to thank them for their continued support and commitment to the IDS platform. A summary of progress in each of these fields is set out below:

Autoimmune and infectious disease
Most of the revenue growth was generated from our autoimmune assay panel. During the year IDS has strengthened our internal competencies in this field, and the combined IDS endocrinology and autoimmune panel is gaining increasing credibility and traction in the market. We look forward to working with our partner, Technogenetics, to continue this success into FY2021, and in particular to our collaboration on our new SARS-CoV-2 assay.

Allergy
We have seen the first sales of these products in FY2020, which are manufactured and developed by our partner Omega Diagnostics. As noted in last year's CEO report we need a suitable panel of screening assays, before we can gain significant commercial traction in this field. While we will continue to work with Omega Diagnostics, during FY2021 we will explore additional avenues to accelerate development of the screening assays we require.

Monitoring of biotherapy treatment
In March 2020, our partner Theradiag, successfully CE-marked the first four products in their automated biotherapy monitoring range. These products run on the iTrack10 analyser, manufactured by IDS. During FY2021, we will work closely with Theradiag to support their roll out of this new and exciting product range, and IDS will distribute these products in various territories not serviced by Theradiag. Our sales and clinical application specialists have been trained in these products, and customer roadshows have been performed to facilitate market uptake.

In summary the total number of assays available on the IDS instrument platform is:

Indication area	Assays available with CE mark
Speciality endocrinology	22
Infectious disease	23
Autoimmune	29
Allergy	67
Total portfolio	**141**

2.2.3 Instrument placements

The number of machines installed is a critical KPI, as each machine will generate future recurring assay revenue. The total number of machines placed or sold increased to 93 (FY2019: 84), representing the highest level of placements/sales since FY2012. This performance is summarised in the table below:

	2020	2019
Direct – gross placements	**43**	37
Direct – gross returns	**(25)**	(24)
Direct – net placements	**18**	13
Distributor sales	**50**	47
Total gross placements/sales	**93**	84

Instrument returns in the year were adversely impacted by the loss of one major customer who ran a single assay across four instruments. The net result of an increase of 18 instruments in the installed base in our direct markets is the strongest result since FY2014.

The number of sales to distributors would have been significantly higher had the COVID-19 pandemic not interrupted the sale of a significant number of machines to one of our distributors. This shipment has been rescheduled by our distributor for H1 of FY2021.

The average number of assays being run on an instrument has continued to increase – moving from 5.1 to 5.9 over the year. This trend is driven by the upsell of additional assays onto existing installed machines, coupled with the fact that newly installed instruments typically run a combination of endocrinology and autoimmunity assays. This means newly installed machines typically run many more assays than legacy machines, albeit in lower volumes.

Average revenue per direct instrument ('ARPI') was £48,000 (2019: £52,000) per annum, calculated on a rolling 12-month basis. The decrease in ARPI was mainly due to the loss of a few high-volume single assay systems in the Americas, coupled with the fact that machines running combined endocrinology/ autoimmune assays are typically placed in laboratories where volume demands are lower.

2.2.4 Sales team

During FY2020 we achieved a level of stability within our direct sales team, while continuing to focus resources, both sales and technical support, on our growing distribution business. We have completed the recruitment of a number of autoimmune application specialists, with specific product knowledge in this field, to help support our sales team grow this business. The improving instrument placement and sales trends in both the direct and distribution markets are evidence that we are starting to see initial success with this relatively new structure.

Our main challenge continues to be in the US, due to the limited size of the IDS panel available for sale. As noted earlier there is no short-term solution to this, though we target expanding this assay panel in the mid-term by obtaining FDA clearance for both IDS and partner speciality assays. During the year we commenced projects with our partners with the goal of obtaining the validation data required to register their speciality assays in the US.

Our automated distribution sales team had a successful year, growing sales by 30% LFL, and opening up new distribution markets in South America and the Middle East.

2.2.5 IVD regulations

The new IVD regulations are scheduled to come into effect from 26 May 2022. This means, rather than self-certifying assays as organisations currently do under the CE-mark certification, our assays will require third party CE certification and audit by a notified body. To comply with the new IVD regulations the analytical performance, scientific validity and clinical performance of our assays will require significant supporting evidence. This will apply to all IDS assays, existing or new, automated and manual. We have created a team of 11 people to ensure we are prepared for this transition and believe that while a huge amount of effort will be required, this change in regulations will not pose a material risk for IDS. Indeed, IVDR may be an opportunity for IDS due to industry consolidation, as many smaller IVD organisations that lack the regulatory resources could struggle to meet the more stringent requirements.

3. Manual business unit

	2020 £000	2019 LFL £000	2019 £000	LFL change %	Change %
25-OH Vitamin D	**969**	1,076	1,061	-10%	-9%
Other Speciality – IDS	**4,979**	5,213	5,179	-5%	-4%
Other Speciality – purchased	**1,658**	2,067	2,058	-20%	-19%
Diametra	**3,770**	3,983	4,024	-5%	-6%
Total	**11,376**	12,339	12,322	-8%	-8%

In FY2020, our Manual business unit revenue ('MBU') declined 8% on a LFL basis which was below our expectations of flat revenues in this business. The business unit now accounts for 29% (2019: 32%) of Group revenues.

Distribution sales, which make up just under half of the volumes in this business unit, showed slight growth, and were in line with our target. The shortfall to prior year occurred in our direct sales markets. The focus of the MBU team has been on halting the historical decline in our distribution markets, where they have been successful. However, it is clear that during FY2021 more attention needs to be focused on our direct markets where gross margins are significantly higher. Therefore, we are in the process or redeploying resources to achieve this and will likely make some targeted hires to increase our technical sales capabilities and enhance our abilities to make direct sales of ELISA assays to research institutions and laboratories. We believe these measures will enable us to achieve our target of returning this business to annualised revenue levels in excess of £12m once the COVID-19 pandemic passes.

4. Technology business unit

	2020 £000	2019 LFL £000	2019 £000	LFL change %	Change %
Royalty income	**–**	38	35	-100%	-100%
Technology income	**4,587**	3,485	3,521	32%	30%
Total	**4,587**	3,523	3,556	30%	29%

In FY2020 Technology business unit sales exhibited a LFL increase of 30%, to reach £4.6m. This represents record levels of non-royalty derived technology income.

During the year we successfully diversified this business, and now generate significant revenues from three different partners who purchase our analysers and related ancillary products. We sold 57 instruments, mainly IDS i10 derivatives, to OEM customers in the year.

We aim to expand the number of partners who utilise our technology, to enable continued revenue growth and reduce our reliance on a handful of partners. The long-term future of this business is dependent on the development by our partners of their respective assay panels for the IDS analysers, and the success of these new panels in the market.

5. Culture and values

The growth of our revenue and placements for a second consecutive year has shown evidence that IDS has progressed in our chosen journey from a scientifically focused organisation towards a commercial, customer-focused organisation which produces high quality IVD products underpinned by excellent science and services.

Also, I was pleased to see the improvement in results obtained from our annual employee engagement survey, as set out in the Talent and People Management Report. The IDS results for FY2020 were not materially impacted by COVID-19, due to the hard work and extra efforts of the entire IDS team. The fact that we were able to keep all our sites operational, and overcome the obstacles thrown up by the pandemic during March, is testament to the engagement of our team, and the passion they have to ensure IDS is successful. I am very proud of the results we delivered during FY2020 despite the challenges and believe the entire IDS team should feel the same. I would like to thank them sincerely for their efforts during FY2020.

6. COVID-19 update

Thanks to the dedication of the IDS team, our manufacturing locations in Italy, France, Belgium and the UK have continuously remained operational during the COVID-19 crisis. We were able to overcome any disruption in the final quarter of FY2020 caused by the virus. One exception was that we were required to delay the planned sale of a significant number of analysers to one distributor from FY2020 into FY2021.

When lockdown measures start to be slowly lifted, we are increasingly confident we will be able to maintain continuity in our business. The safety of our people has been, and will continue to be, our top priority. Thus, we are following all relevant government regulations, including those related to social distancing and good hygiene practices. During the peak of the crisis, all employees not directly involved in the manufacture of our products were asked to work from home. We are now implementing a phased return to work for those employees who need access to IDS facilities to perform their role effectively, though all other staff are being encouraged to remain working from home. This approach will enable IDS to adhere to the social distancing guidance issued by each government in the territories where we operate.

Opportunities

We are currently in negotiations with a number of partners to manufacture and commercialise COVID-19 antibody test kits in both ELISA and CLIA formats.

We are currently working to manufacture and commercialise COVID-19 antibody test kits in both ELISA and CLIA formats, combining our resources and capabilities with partners who have knowledge in virology and infectious diseases.

Our development partner, Technogenetics, has developed a COVID-19 IgG assay to detect SARS-CoV-2 antibodies. This quantitative automated assay which runs on the IDS-iSYS analyser, should be available for sale by IDS before the end of June, in Europe and distribution regions whose regulatory regime is based on the CE-mark.

In addition, we have agreed commercial terms with a UK based specialist medical diagnostics company to produce components of their COVID-19 ELISA manual assay. Finally, we are working with a number of partners with expertise in virology and immunology to provide a route to market for ELISA-based COVID-19 assays, utilising our direct sales organisation as well as our extensive distribution network.

7. Outlook

We have seen a significant reduction in revenue during the first quarter of FY2021 versus the same period last year, driven by a reduction in routine medical testing in hospitals and laboratories across the world, whose focus has been on COVID-19 treatment and testing. Large laboratories have stated that in April testing volumes dropped to around 50-60% of normal levels. We have taken appropriate action to minimise our costs during this period of uncertainty. From a liquidity perspective, IDS is in a very strong position with cash holdings of almost £28m at year end.

During FY2021 we will continue our drive to ensure all IDS team members have specific objectives which are aligned to the Group goals of improving revenue, analyser placements and profit. We will enhance focus, especially under the current difficult circumstances caused by the pandemic, on our teams' ability to hit agreed objectives. It is through this result-oriented approach we will support our customers best, and achieve success.

We have significantly increased our installed analyser base as well as the panel of assays available on our analysers. We have successfully diversified away from being a `Vitamin D and Bone marker' focused organisation, to a more rounded specialised customer-driven organisation, underpinned by strong scientific ability. Our balance sheet continues to remain strong, with IDS holding almost £28m cash at year end. Thus, we believe IDS is well positioned to weather the storm of the COVID-19 pandemic.

Over the last two years we have made good progress in addressing some of the fundamental challenges facing IDS, we have improved our main processes and addressed several areas where we had deficiencies in talents and skills. During FY2020 we were able to focus more efforts on accelerating our business growth, and once the challenges of COVID-19 subside, we should be able to harvest the fruits of these efforts and see a further acceleration of growth. In the short term we will also focus on commercialising opportunities arising from increased levels of SARS-CoV2 antibody testing using a range of automated and manual test kits which we expect to launch during Q1 FY2021.

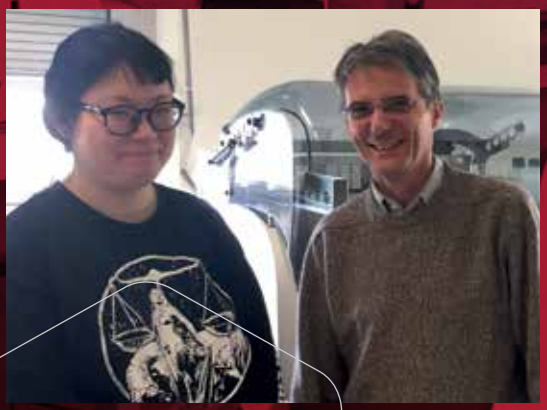
We will provide an update on trading in Q1 FY2021 at our AGM on 23 July 2020. However, we are confident once the global situation improves, we are well positioned to continue our trajectory of growth, leveraging our increasing installed instrument base and assay menu.

Jaap Stuut
Chief Executive
16 June 2020

CASE STUDY
SAINT ANTOINE HOSPITAL, PARIS

Commenced a study in January on the IDS Autoimmune Liver Disease panel. The Key Opinion Leader in charge of the study, Dr Eric Ballot, and his student Simone Choi, are both well known for their expertise in autoimmune liver disease. Dr Ballot's laboratory receives samples from all over the world for testing.

Dr Ballot's laboratory has access to many well-characterized samples which are needed to validate the IDS liver disease assays' performance in a scientific way. This is necessary for publication in peer-reviewed articles or poster presentations at scientific congresses.



FINANCIAL AND OPERATIONS REVIEW

"During FY2020, IDS delivered revenue growth as well as improved gross margins, due to continued cost control efforts. These improvements provide an encouraging financial trajectory upon which the Group can build in the future."

Paul Martin,
Group Finance Director

1. Overview

IDS has achieved a second consecutive year of revenue growth, with revenue increasing by 2% on a LFL basis to £39.3m. It is encouraging to see that the growth we are now generating arises in the areas of business where we have invested most, namely automated speciality assays and sales of our analyser technology. Growth in these areas is now offsetting declines in the other areas of the business.

As set out in more detail later in this report, our efforts to improve our process and operational efficiency have started to be reflected in our financial performance. This is particularly evident in our gross margin, which increased by 1%, despite a greater proportion of the Group's sales being generated through lower margin distribution sales channels. Operating costs remained under tight control, decreasing 1% on a LFL basis.

As a result, adjusted EBITDA, our core metric for measuring underlying profitability, increased from £4.8m to £6.1m. Adjusted EBITDA in FY2020, excluding the impact of IFRS 16 was £5.4m (2019: £4.8m). I will comment on the impact of IFRS 16, a new accounting standard which impacts EBITDA, below.

Cash and cash equivalents decreased by £0.1m to £27.6m (2019: £27.7m).

2. Revenue analysis

Group revenue of £39.3m (2019: £38.5m) increased by £0.8m, or 2% on both a reported and LFL basis.

2.1 Revenue by geography

	2020 £000	2019 £000	LFL change	Change
Direct markets – US	**6,655**	7,215	-11%	-8%
Direct markets – Europe	**22,594**	22,416	2%	1%
Rest of world	**10,098**	8,882	15%	14%
Group revenue	**39,347**	38,513	2%	2%

Our US business suffered a revenue decline of 11% on a LFL basis, which was driven by declines in both automated and manual revenues. The decline in automated revenues is due to the sub-scale automated assay menu, which makes it difficult to win new business. This also means it is relatively easy for laboratories to consolidate the limited number of tests being run on the IDS analyser onto other platforms, making retention of contracts coming up for renewal more challenging. The decline in the Manual business was due to a lower level of ELISA sales related to research projects.

Revenue in the European business grew 2% versus the prior year on a LFL basis. Growth in the Technology business unit, where revenues are predominantly generated in Europe, offset declines in the Manual business in our direct European sales territories. The Automated business performed in line with the prior year.

As with FY2019, our best regional performance was in the Rest of world region, where revenue is mainly delivered through our distribution network. The growth was generated through our Automated business unit, where we saw strong growth in sales of our autoimmune products, were able to gain a foothold in South America, as well as growing our Middle Eastern business. The performance of our Manual business distribution network was consistent with the previous year.

3. Profit and loss performance and comparison with best-in-class

3.1 Summary income statement and peer comparison

	2020 £000	2019 £000	% of revenue 2020	% of revenue 2019
Revenue	**39,347**	38,513	**100.0%**	100.0%
Cost of Goods Sold	**(21,971)**	(21,817)	**55.8%**	56.6%
Gross profit	**17,376**	16,696	**44.2%**	43.4%
Sales and marketing	**(8,890)**	(9,075)	**22.6%**	23.6%
Research and development (net)	**(1,926)**	(2,444)	**4.9%**	6.3%
General and administrative expenses	**(5,232)**	(4,837)	**13.3%**	12.6%
Total operating costs pre-exceptional	**(16,048)**	(16,356)	**40.8%**	42.5%
Exceptional items	**–**	89		0.2%
Profit from operations	**1,328**	429	**3.4%**	1.1%
Add Back:				
Depreciation and amortisation	**4,722**	4,457	**12.0%**	11.6%
Exceptional items	**–**	(89)	**0.0%**	0.2%
Adjusted EBITDA	**6,050**	4,797	**15.4%**	12.5%

During FY2020, IDS delivered improving revenue performance, and translated this into EBITDA growth, with EBITDA increasing to 15% of revenue (2019: 12% of revenue). However, it should be noted that this comparison is slightly flattered by the implementation of IFRS 16 as set out below. If this change is stripped out, EBITDA would have equated to 14% of revenue in FY2020.

3.2 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 £604,000 during FY2020, with depreciation increasing by a similar amount. The introduction of IFRS 16 did not materially impact reported gross profit or operating profit. This is summarised in the table below which restates the FY2020 results as if IFRS 16 had not been implemented:

	2020 As reported £000	2020 IFRS 16 impact £000	2020 pre IFRS 16 £000
Revenue	39,347	–	39,347
Cost of goods sold	(21,971)	(16)	(21,987)
Gross profit	**17,376**	**(16)**	**17,360**
Sales and marketing	(8,890)	(4)	(8,886)
Research and development (net)	(1,926)	(3)	(1,923)
General and administrative expenses	(5,232)	(6)	(5,226)
Total operating costs	**(16,048)**	**(13)**	**(16,035)**
Profit from operations	**1,328**	**(3)**	**1,325**
Add back: depreciation and amortisation	4,722	(601)	4,121
EBITDA	**6,050**	**(604)**	**5,446**

Additionally, the implementation of this new standard led to an increase in fixed assets of £1,524,000, with a corresponding increase in finance lease liabilities of £1,524,000.

Full disclosure as to the impact of adopting IFRS 16 is given in Note 1 Accounting Policies. The FY2019 results have not been restated to reflect the impact of adopting IFRS 16 as IDS transitioned using the modified retrospective approach

3.3 Comparison with best-in-class performance

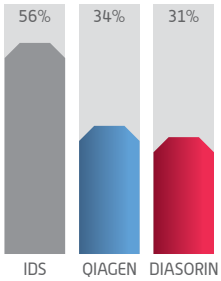
The improvements in financial performance are a step in the right direction. However, our ultimate goal is to be in-line with the best-in-class industry performance, and for that we undertake regular benchmarking against selected peers. This ensures we focus on our goal of closing the gap to best-in-class financial performance and embed the ambition in our team members to 'play in the top league' of our industry.

As in previous years, we have compared the IDS financial performance with DiaSorin and Qiagen. DiaSorin is the most successful competitor we face in the field of automated endocrinology, and Qiagen are a world class molecular diagnostics organisation.

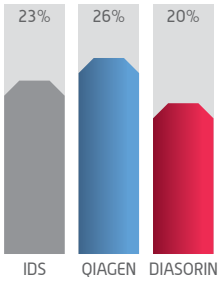
The following graphs show the cost structures of these best-in-class companies, as a percentage of revenues, compared to IDS:

Costs as % of revenue

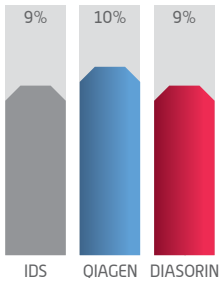
Cost of goods sold



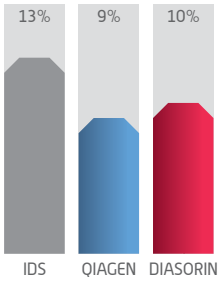
Sales and marketing



Research and development (gross)



General and administrative



As I noted in the Annual Report and Accounts 2019, the key area where IDS lags behind these organisations is in terms of our level of cost of goods sold ('COGS'). The deficiency in other cost categories is less pronounced. Therefore, improving our COGS metric was a key area of focus in FY2020. During the year we were successful in reducing our COGS from 57% to 56% despite a high proportion of low margin distribution sales. However we still have a long way to go to reach best-in-class performance. A summary of the key initiatives undertaken is set out in the next section.

Additionally, we have strengthened the leadership within our operations organisation, with the new team members being tasked to continue to improve our levels of operating efficiency and to help bridge the gap to best-in-class performance.

4. Gross profit and operational performance

Gross profit in the year was £17.4m (2019: £16.7m), an increase of £0.7m, from the prior year. Gross margin increased to 44% (2019: 43%), despite a continuing revenue mix swing from higher margin direct business, to lower margin distribution business. Distribution business accounted for 27% of Group revenue (2019: 23%).

Initiatives to reduce our COGS, and hence improve our gross profit, were focused on our Automated business, which from an operational perspective comprises the instrument manufacturing site in Pouilly and the assay manufacturing site in Liége.

Pouilly

The site in Pouilly benefited from the leverage effect of producing more instruments, with 168 instruments being produced versus 134 in the previous year. This was achieved with minimal increase in the operating cost base. During the year we invested in expanding the size of this factory, thus ensuring we are well placed to deal with the expected increase in instrument demand in future years.

Liége

A formal project management framework has been implemented in Liége, with many of the projects focused on generating cost efficiencies through improved processes and controls.

Significant savings have been made by reducing scrap costs, reducing the internal consumption of manufactured products, scaling up the size of our production batches, and increasing assay shelf lives where possible. These projects remain ongoing. During FY2020, we focused on the 'low hanging fruit' but there is still much opportunity to generate further efficiencies moving forward.

Savings scorecard and moving forward

Overall the Group met the cost savings targets we set for ourselves at the start of the year, thanks to the efforts of many individuals within the IDS team. However, as demonstrated earlier, we have a long way still to go to reach best-in-class performance. Therefore, looking into FY2021, improving operational efficiency will remain a key priority of the Group.

We also expect to see cost improvement benefits from two further Group-wide initiatives. Firstly, towards the end of FY2020 we created a Group purchasing function, which consolidated the disparate purchasing functions located in each site. We envisage this will enable us to take a more coordinated approach to supplier management, as well as pooling the experience of our team and making sharing of best practise easier. Secondly, we are implementing a continuous improvement programme, where technicians will be rewarded for suggesting and implementing process changes which lead to efficiency gains in our production processes. This is a process, which in previous organisations I was involved in, generated many small gains which quickly added up to a material cost saving.

5. Operating costs

Once all the recognition criteria of IAS 38 Intangible Assets related to the capitalisation of product development costs are met, the relevant expenditure related to instrument and new assay developments is capitalised. The total amount of costs capitalised decreased from £2.4m in FY2019 to £1.9m in FY2020, reflecting the slower than anticipated progress with various internal development projects. We review projects on which costs have been capitalised on a periodic basis throughout the financial year and the costs are impaired if a project no longer meets the required capitalisation criteria.

As can be seen in the table in section 3.1, operating costs before exceptional items were £16.0m (FY2019: £16.4m), a decrease of 1% on a LFL basis.

6. Foreign exchange

Movements in foreign exchange rates have not materially impacted the Group operating results year on year, with the weakening of the GBP against the USD offsetting its strengthening against the Euro. The table below shows the average exchange rates during the year:

Average exchange rates	2020	2019	Strengthening /(weakening) of Sterling %
Pound Sterling: US Dollar	**1.28**	1.32	-3%
Pound Sterling: Euro	**1.15**	1.13	1%

In the year 69% (2019: 67%) of the Group's revenues were billed in Euros and 20% (2019: 20%) were billed in US Dollars.

7. Segmental reporting

	Automated 2020 £000	Manual 2020 £000	Technology 2020 £000	Total 2020 £000
Revenue	**23,384**	**11,376**	**4,587**	**39,347**
Gross profit	**11,072**	**4,572**	**1,732**	**17,376**
Adjusted EBITDA	**3,389**	**1,977**	**684**	**6,050**
Adjusted EBITDA %	**14.5%**	**17.4%**	**14.9%**	**15.4%**
Adjusted EBITDA before adoption of IFRS 16	***2,947***	***1,827***	***672***	***5,446***
Adjusted EBITDA % before adoption of IFRS 16	***12.6%***	***16.1%***	***14.7%***	***13.8%***

	Automated 2019 £000	Manual 2019 £000	Technology 2019 £000	Total 2019 £000
Revenue	22,635	12,322	3,556	38,513
Gross profit	10,054	5,584	1,058	16,696
Adjusted EBITDA	1,898	2,755	144	4,797
Adjusted EBITDA %	8.4%	22.4%	4.0%	12.5%

Adjusted EBITDA margin in our Automated business increased to 14.5% (12.6% EBITDA margin excluding the impact of IFRS 16) from 8.4% in the prior year. Adjusted EBITDA was favourably impacted by the leverage effect of higher revenues, and the cost savings generated by the initiatives set out in section 4 of this report. These improvements were partially offset by the impact of higher levels of sales generated through distribution channels, which attract a lower margin than direct sales.

In our Manual business the adjusted EBITDA margin reduced to 17.4% (16.1% excluding the impact of IFRS 16) (2019: 22.4%) due to the decline in sales revenue year on year. While in our Technology business, adjusted EBITDA grew to 14.9% (2019: 4.0%) due to the leverage effect of higher revenues.

8. Headcount and productivity

8.1 Headcount

An analysis of the Group's headcount, on a FTE basis, is set out below:

	31 March 2020	31 March 2019
Operations	**136**	130
Sales and marketing	**77**	78
thereof field sales force	***23***	*24*
Research and development	**47**	40
General and administrative	**35**	35
Total	**295**	283

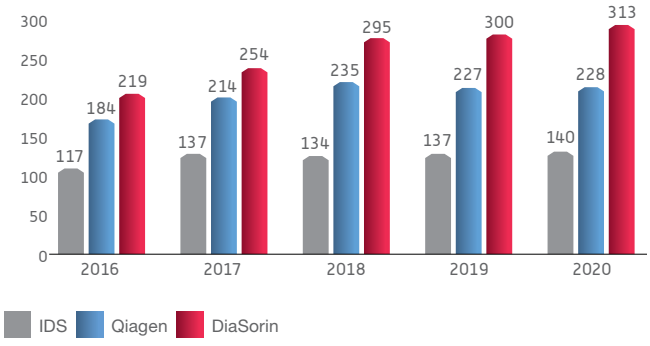
The increase in headcount is mainly due to IDS creating a team tasked with ensuring that our assays will comply with the future IVD Regulations, which will come into effect in May 2022. These FTE are split across the operations and research and development categories.

8.2 Labour productivity

The most appropriate way to measure the overall productivity of IDS is the revenue per employee. During the year, IDS revenue per employee rose to £140,000 (2019: £137,000) – the best performance in five years.

Revenue by employee

£'000



NB: DiaSorin and Qiagen results are for year ended 31 December 2019. IDS are for year ended 31 March 2020.

9. Exceptional operating items

In FY2020, there were no exceptional operating items.
In FY2019, 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.

10. Profit from operations

Profit from operations ('EBIT') was £1.3m (2019: £0.4m), the rise being mainly due to the improved revenue and cost performance of the business as set out in this report.

11. Net finance income

Net finance income was £1.9m (2019: income of £0.4m). Included within net finance income is a foreign exchange gain of £0.7m (2019: gain of £0.3m), which arises from the translation of non-Pound Sterling denominated intercompany balances and a foreign exchange gain from the liquidation of a subsidiary of £1.2m (2019: nil). The gain from the liquidation of the subsidiary has been treated as exceptional finance income as it is non-recurring in nature.

12. Taxation

The tax credit of £0.1m (2019: charge of £0.05m) gives a full-year effective rate of -2.9% (2019: 5.5%). It comprises a current tax credit of £0.1m and a deferred tax charge of £nil. The current tax credit arises mainly due to research and development tax claims in UK and France, and a prior year over provision reversal in France, partially offset by profits chargeable in overseas territories taxable at a higher rate than UK corporation tax.

Total gross tax losses carried forward amount to £22.3m (2019: £20.3m) of which £nil (2019: £3.2m) has been recognised as an asset in the balance sheet.

13. Earnings per share

Adjusted earnings per share is calculated using profit after tax adjusted to exclude the after-tax effect of both exceptional operational and finance income. Adjusted basic earnings per share are 7.4p (2019: 2.4p). Basic earnings per share are 11.6p (2019: 2.7p).

14. Balance sheet and cashflow

14.1 Equity

The Group's shareholders' funds at 31 March 2020 were £57.1m (2019: £55.3m).

14.2 Working capital

The Group net working capital was £14.1m at 31 March 2020 (£12.6m at 31 March 2019). This represents 36% of revenue (2019: 33%). A summary of the working capital movements is as follows:

- Inventory increased mainly due to the number of completed analysers held in stock. At the end of FY2019 we had no completed analysers on hand. A large proportion of these relate to a postponed order by one of our distributors, and we expect these will be sold during H1 of FY2021.
- Trade debtors increased; however, this was due to strong trading in Q4, rather than a significant increase in debtor days, which equated to 58 days of sales (2019: 53 days).
- These were offset by an increase in trade creditors, mainly due to the timing of receipt of invoices from our assay partners, coupled with amounts owed related to our Pouilly building expansion.

14.3 Cash flow summary

A summary of the Group's cash flow statement for the year is shown below:

	2020 £000	2019 £000
Profit before tax	**3,254**	842
Depreciation and amortisation	**4,723**	4,457
Income taxes received	**788**	838
Other adjusting items	**(1,908)**	(589)
Movements in working capital	**(1,314)**	232
Cash generated from operating activities	**5,543**	5,780
Cash used in investing activities	**(4,663)**	(4,426)
Cash used in financing activities	**(938)**	(2,019)
Net decrease in cash and cash equivalents	**(58)**	(665)
Add back		
Share buy back	**–**	1,358
Dividends	**201**	500
Free cash flow to equity	**143**	1,193

Cash generated from operating activities decreased to £5.5m (2019: £5.8m). The increased profit in the year was offset by the higher working capital requirements. Free cash flow to equity was an inflow of £0.1m (2019: inflow of £1.2m), the reduction being driven by higher capital investment and finance lease repayments.

15. Dividend and share buy back

There was no share buyback activity during the year (2019: 612,297 shares were bought back at an average £2.20 per share). Dividend payments, which related to the final dividend for 2019, reduced to £0.2m (2019: £0.5m related to the final dividend for 2018).

The Group has a policy to pay out between 25% to 30% of its adjusted earnings per share as a dividend. In FY2020 adjusted earnings per share was 7.4p (2019: 2.4p) thus the Board is proposing a dividend for the year of 1.9p (2019: 0.7p) subject to the approval of shareholders at the Annual General Meeting on 23 July 2020. If approved, the dividend will be paid on 14 August 2020 to shareholders on the register at the close of business on 17 July 2020.

16. Key risks

COVID-19

As set out in the CEO's Report, the business was able to successfully mitigate the impact of the COVID-19 pandemic during FY2020. During the first half of FY2021, we expect that we will see a significant impact on revenues due to the lower levels of routine testing being undertaken by laboratories and hospitals around the world. At the time of writing, it is very difficult to determine when testing levels will return to normal. However, our expectation is that once patients feel comfortable to visit hospitals, the bounce back in testing volumes, and hence IDS revenues, will be relatively swift.

IDS is well positioned to ride out the challenges of the pandemic, with almost £28m of cash on hand at year end. Nevertheless, we are monitoring the situation closely, taking the relevant cost control steps across all areas of the organisation, minimising the costs of running the business during this period of uncertainty, to alleviate the impact of the reduced revenue on the bottom line.

Brexit

While Brexit has taken a backseat due to the COVID-19 pandemic, the transition period is currently scheduled to end on 31 December 2020. There is a risk that a deal is not reached by then, and the UK reverts to WTO trade terms with the EU. We have now had two 'practice runs' at preparing for a no deal Brexit, firstly at the end of March 2019 and then at the end of October 2019. Thus, we believe that we have the appropriate processes in place to ensure that a 'no deal' scenario at the end of the transition period will not materially impact the performance of IDS.

Paul Martin
Group Finance Director
16 June 2020

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out below. While the list is not exhaustive, it is derived from the Group's detailed risk register. The Group's internal risk identification and management process is as follows:

- The Executive Management Team prepares and reviews on a periodic basis, by function, the risk register for the Group. The risk register details specific risks to the Group, the quantification of those risks in terms of probability and impact, and mitigating actions required to manage these risks.
- The risk register assigns responsibility for each risk and mitigation plan to one or more members of the Executive Management Team.
- The risk register is then reported to the Audit Committee at least annually.
- Specific risk items may also be discussed at Board level as appropriate.

Description	Possible impacts	Mitigating factors	Risk trends
COVID-19 PANDEMIC RISK			
The COVID-19 pandemic has the potential to impact all aspects of the business. The Group's revenue will be impacted as laboratories and hospitals focus on COVID-19 cases, and patients are reluctant to attend hospital for fear of catching the virus. While we have maintained our supply chain though the initial peak of the virus outbreak, further peaks could adversely impact our supply chain, through disruption of logistics networks or forced closure of IDS or supplier production sites.	**Loss of revenue and profit.**	IDS is following all government regulations in relation to social distancing and other measures to minimise the transmission of the virus. Hospitals are becoming better equipped to deal with COVID-19 cases alongside routine treatment, which should lead to normal testing volumes being resumed. IDS is in close contact with all key suppliers. A small amount of disruption was caused in April 2020 by delays in shipments from some Asian based suppliers. However, all key suppliers are currently operational and we do not anticipate a material impact on our supply chain. The pandemic has also impacted global freight channels, however our logistics team has been able to find solutions to get all goods to their final destination. We have observed that our usual freight channels are now operating as normal.	
BREXIT RISK			
The vote for the UK to leave the European Union has cast significant uncertainty over future international trading arrangements within Europe. The Group could be impacted in numerous ways, including but not limited to trade tariffs between the UK and Europe, and longer regulatory approval lead times for our assays	**Loss of revenue and profit.**	The Group will keep the ongoing Brexit negotiations under review to ensure an up to date understanding of their impact on the Group is maintained. The Group has a detailed action plan which can be implemented in the event of a no deal Brexit. See further comments in the Financial and Operations Review on page 31.	
PRODUCT PORTFOLIO RISK			
The Group derives a significant proportion of its revenue from its 25-OH Vitamin D products. These revenues have declined in recent years predominantly due to increased competition. There is a risk that a range of factors including increased competition, changes in reimbursement and alternative assays could adversely impact the Group's 25-OH Vitamin D revenues.	**Loss of revenue and profit.**	The Group is seeking to diversify its revenue stream by developing a broader range of automated assays. During the year we were unable to release any new automated assays. However, we now have a range of products in other assay fields (autoimmune, infectious disease and allergy) which increases our product diversification.	

 Increased risk  No change  Decreased risk

Description	Possible impacts	Mitigating factors	Risk trends
REGULATORY RISK			
Many of the Group's products are required to follow specific regulations around, inter alia, the design, development, approval, manufacture, labelling, marketing and sale of these products. Compliance with these regulations is subject to audit by regulatory agencies on a periodic basis. In addition, changes to regulation, such as implementation of the new EU IVD Regulations, introduce major changes to the regulatory processes for IVD products. There can be no guarantee that all of the Group's products will be able to obtain or maintain the necessary regulatory approvals all of the territories in respect of which applications for such approvals are made.	**Loss of revenue and profit.** **Possible loss of brand value and reputation.** **Loss of long-term growth potential.** **Increased regulatory costs.**	The Group is seeking to reduce this risk by developing assays through a validated design control process. This process encompasses research, development, manufacturing and post-launch activities to seek to ensure all functions are working under the same quality framework. The Group is seeking to foster a culture where quality is the number one priority. The Group looks to employ suitably qualified staff, consults, where necessary, with regulatory advisers and regulatory approval bodies, and works with experienced distribution partners to ensure any regulatory requirements are met. The Group has set up a dedicated team to ensure compliance with the new EU IVD Regulations.	
DEVELOPMENT RISK			
The Group is reliant on both its instrument and assay developments meeting internal deadlines to ensure the Group reaches its revenue and profit targets over the medium term. Failure to meet target dates for development results in fewer assays available to customers, with subsequent loss of competitive position in the market.	**Loss of revenue and profit.** **Worse competitive position.** **Loss of long-term growth potential.**	The Group is seeking to manage this risk through implementing a design review process and ensuring active project sponsorship for our key development projects at the Executive level. In addition, the Group seeks to build cross-functional experienced teams that can utilise their collective knowledge to manage risks and issues in a proactive and collaborative manner.	
REIMBURSEMENT RISK			
Many governments are facing increasingly intense budgetary constraints. The Group is therefore largely dependent on governments providing increased funds commensurate with the increased demand arising from demographic trends. Recent budgetary constraints mean lower reimbursement rates for several of the Group's key products in various territories.	**Loss of revenue and profit.** **Loss of long-term growth potential.**	The Group is seeking to diversify its revenue stream by developing a broader range of automated assays to reduce the risk of lower reimbursement rates from one assay.	

Description	Possible impacts	Mitigating factors	Risk trends
SITE AND SYSTEM DISRUPTION RISK			
Unexpected events could disrupt the business by affecting a key facility, critical equipment, IT systems or a large number of employees. The unanticipated loss of a production site, for example, for a period of time could lead to an inability to supply customers with products.	**Loss of revenue and profit.**	The Group has put in place cross-functional business continuity and disaster recovery plans, which are being continually extended and refined, to ensure we can respond in an effective and managed way to a variety of situations. The Group has put in place service contracts for critical equipment and IT systems to ensure items are serviced on a regular basis and downtime is kept to a minimum.	
SUPPLY RISK			
The Group is reliant on certain key suppliers of raw materials, components, finished products and packaging materials. For example, lack of sufficient supply of a critical reagent such as a polyclonal antibody could result in our inability to manufacture products, leading to a loss of revenue and profits and potentially a loss of customers.	**Loss of revenue and profit.**	The Group endeavours to secure critical reagent supply and, where possible, contractual relationships with key suppliers to ensure continuity of availability of supply and sufficient notice of any supply disruption. In addition, where possible, the Group tries to put in place second sources or increased inventories for critical components.	
PLACEMENT RISK			
The Group's mid-term strategy and revenue and profit forecast are built upon the assumption of accelerating growth in the net placements/sales of the IDS instruments. A significant reduction in the level of gross placements and/or a substantial level of returns would have a material impact on the financial results of the business.	**Loss of revenue and profit.** **Worse competitive position.** **Loss of long-term growth potential.**	The Group employs sales leaders in each of its direct sales territories and an experienced sales force to manage and grow its installed base of instruments. These sales teams are incentivised to grow placement numbers. In addition, the Group is focused on improving its product offering through improved instrumentation and through making available to current and prospective customers a larger menu of automated assays.	
STAFF TURNOVER RISK			
The Group's continued success is dependent on key employees and their ongoing relationships with key stakeholders such as customers and suppliers. Increased staff turnover and the disruption this may cause can impact execution of strategy and potentially impact shareholder value creation.	**Loss of revenue and profit.**	The Group performs succession planning within the management team to ensure any disruption is kept to a minimum. The Talent and People Management Report sets out a number of initiatives we are taking to retain and motivate our workforce.	

 Increased risk  No change  Decreased risk

Description	Possible impacts	Mitigating factors	Risk trends
CYBER RISK			
As we and our customers and suppliers increasingly digitalise our businesses, there is an increased risk that third parties may seek to disrupt our online business operations, steal customer data or perpetrate acts of fraud using digital media. This is particularly relevant in our sector in light of the recent virus attacked which impacted the NHS, among others.	**Reputation damage, loss of revenue and profit.**	We're focused on maintaining a robust and secure IT environment that protects our customer and corporate data. This involves specific activities, such as penetration testing of our key systems, coupled with continued education of employees around cyber risk. We invested in a state-of-the-art antivirus/IT security suite to help mitigate this risk.	
LEGAL RISK			
Business practice, in general, and in the medical diagnostics business specifically, is subject to increased scrutiny by government organisations. The trend in many countries is towards increased enforcement activity. For example, the Physician Payments Sunshine Act ('Sunshine Act') requires manufacturers of drugs, medical devices and biologicals that participate in US federal healthcare programmes to report certain payments and items of value given to physicians and teaching hospitals. Failure to comply with such laws could lead to a range of penalties and sanctions being imposed upon the Group. This could have a detrimental impact on profits and on the immediate and long-term sustainability of business in a particular territory.	**Loss of profit.** **Possible loss of brand value and reputation.**	The Group trains staff to understand the Group's legal and regulatory obligations and ensure compliance. The Group operates a whistle-blower policy to provide an independent reporting channel for employees and third parties to report any concerns on these matters. The Group is in regular contact with healthcare professionals and legal advisers to ensure we are aware of our ongoing legal and regulatory responsibilities.	
EXCHANGE RATE RISK			
The Group's sales and purchases are mainly made in Sterling, Euros and US Dollars and so it is exposed to the movement in exchange rates in these currencies. This risk has increased due to the increased likelihood of a no deal Brexit. More details can be found in the Financial and Operations Review.	**Loss of revenue and profit.**	The Group manages this risk by, wherever possible, building a natural hedge of Euro and US Dollar denominated sales and purchases, whereby the inflows and outflows of Euros and US Dollars are roughly equal.	

SECTION 172 STATEMENT – STAKEHOLDER ENGAGEMENT

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its shareholders as a whole and in doing so are required to have regard for the following six criteria. Below we set out how each criterion has been addressed by the Board, cross referencing other sections of the Annual Report and Accounts where appropriate:

1

The likely long-term consequences of any decision

The IVD business is, by nature, one where a long-term view is needed. Due to product development and sales cycles it can take a number of years for decisions to impact the Group's financial results. Thus, the consideration of the consequences of any long-term decision is 'defacto' for the Board.

The Board maintains that the long-term strategy adopted remains robust and have thus focused on the execution of this strategy during the year. The Board believes that having now delivered two years of consecutive revenue growth, once the COVID-19 pandemic has subsided, the business will be able to continue on a trajectory of accelerated growth.

More explanation can be found in the Corporate Governance Report which explains how IDS complies with the QCA code Principle 1 on page 41.

The members of the Board and their experience is set out on page 38.

2

The interests of the Group's employees

The Directors understand that our employees are the key asset of the IDS Group, and their performance and engagement is vital to ensure IDS meets its objectives. Over the last three years the Group has developed and reinforced a new culture within the organisation, focused on improving the leadership skills of our management, and undertaken multiple projects to improve the engagement of our employees.

More explanation can be found in our Talent and People Management Report on pages 6 to 9 and in the Directors' Report on pages 39 to 40.

The Board gathers feedback from employees via the communication channels set out in the aforementioned report, and where appropriate acts on such feedback to improve the performance of the business.

3

The need to foster the Group's business relationships with suppliers, customers and others

IDS strives to have good business relationships with our customers, suppliers and partners. Due to the small size of our organisation, the Executive Directors and Executive Management Team are frequently in contact with our key customers, supplier and partners and have strong relationships with their counterparts in these organisations. To be successful, IDS needs to have the reputation of being an organisation who partners want to collaborate with. This is a reputation we believe IDS has in the marketplace.

More explanation can be found in the Corporate Governance Report explaining how IDS complies with the QCA code Principle 3 on page 42.

The Strategic Report on pages 4 to 37 of the Annual Report & Accounts 2020 has been approved by the Board of Directors.

By order of the Board,

Paul Martin
Company Secretary
16 June 2020

BOARD OF DIRECTORS

DR BURKHARD WITTEK
Non-executive Chairman

Burkhard holds an MBA from Harvard Business School. After working for Dresdner Bank AG he spent 13 years with The Boston Consulting Group where he was a senior partner with worldwide responsibility for the consumer goods, retail and healthcare sectors. In 1990 he founded FORUM Family Office GmbH, which makes long-term investments in German Private Equity and European Small and Midcap publicly quoted companies. The healthcare sector is a focus area of FORUM as well as companies undergoing transitions.

MR PETER WILLIAMSON
Non-executive Director

Peter joined IDS on 15 June 2015. He holds a Master of Business Administration from the University of Edinburgh. Between 1993 and 2010, he worked in various positions for BTR Automotive, Metzeler, Trelleborg, Xerium Technologies and IBP Group in locations in Europe, the US and Asia. Since 1999 he has worked in businesses owned by private equity with Metzeler belonging to CVC and Xerium Technologies an Apax portfolio business. His final executive position was as Group CEO for IBP Group (a Sun Capital Partner portfolio business) and since then has worked as an operating partner for Better Capital and currently has a portfolio of non-executive appointments.

DR PETER KASPAR
Non-executive Director

Peter has over 35 years experience in life sciences and diagnostics. From 2005 to 2011, he was a member of the Management Committee of bioMérieux S.A, where he worked as Head of the Molecular Diagnostics unit, Head of Global Research & Development and Head of the Microbiology unit. Prior to bioMérieux, he spent a significant part of his career with Roche Diagnostics (formerly Boehringer Mannheim GmbH) in Europe, Latin America and the US, with responsibilities in strategy, business development and R&D management.

He holds a PhD in biochemistry from the University of Muenster.

MR JAAP STUUT
Chief Executive Officer

Jaap took over as CEO on 1 November 2017. He has been with IDS since 2013 and was previously responsible for the global marketing and corporate development of the Group, as well as having the direct sales responsibility for the US and Brazil.

Prior to joining IDS, Jaap held various senior management, sales and marketing roles at Roche Diagnostics and Novartis. Jaap is a Dutch national and holds an MBA from Bradford University School of Management.

MR PAUL MARTIN
Group Finance Director and Company Secretary

Paul joined IDS as Group Finance Director on 4 January 2016. Previously, Paul was based in Singapore as CFO of Volex plc's Power Division, a major manufacturer of electrical power cables, with operations throughout Asia.

Paul qualified as a Chartered Accountant with Deloitte in 2002, and subsequently worked in a number of senior finance roles in the technology sector.

The Directors submit their report and audited financial statements of the Company and of the Group for the year ended 31 March 2020.

Immunodiagnostic Systems Holdings PLC is a public limited company, incorporated and domiciled in England and its shares are admitted to trading on AIM on the London Stock Exchange.

Business and financial review

The Strategic Report on pages 4 to 37 sets out a review of the business of the Group during the year ended 31 March 2020 and the position of the Group at the end of that period to enable shareholders to assess how the Directors have performed their duty under Section 172 of the Companies Act. The review also describes the principal risks and uncertainties facing the Group and provides a fair review of the Group's business at the end of the financial year and the Group's future developments.

Results and dividend

The Group's profit for the year attributable to owners of the Parent was £3.3m (2019: £0.8m). No interim dividend was paid (2019: £nil) and the Directors have recommended a final dividend of 1.9p (2019: 0.7p) per Ordinary share.

Research and development

Research and development projects continue in the areas of instrumentation and assay development. In particular, assay development is focused in the clinical areas of endocrinology, with the main segments being bone and calcium metabolism, chronic kidney disease, hypertension, fertility and growth.

Directors

The Directors who served the Company during the year and up to the date of approval of the financial statements were as follows:

Director	Position
Dr B Wittek	Non-executive Chairman
Mr J Stuut	Chief Executive Officer
Mr P J Martin	Group Finance Director and Company Secretary
Mr P J Williamson	Non-executive Director
Dr K P Kaspar	Non-executive Director

All Directors served throughout the year, unless indicated. Share options held by the Directors are disclosed in the Directors' Remuneration Report on page 50.

Directors' indemnity

As permitted by the Company's Articles of Association, indemnities for each Director of the Company have been granted to B Wittek on 24 November 2014, P J Williamson on 16 June 2015, Dr K P Kaspar on 10 November 2015, P J Martin on 4 January 2016, and J Stuut on 1 November 2017. These indemnities were in force throughout this financial year and at the date of approval of this Annual Report and Accounts.

Remuneration Report

The Remuneration Report set out on pages 47 to 50 will be presented to shareholders for approval at the Annual General Meeting.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the Executive Management Team continued to engage employees with regular briefings, providing information on the performance of the Group and economic and financial factors affecting it. All employees are encouraged to raise their suggestions and views, and to raise questions to the CEO. Regular newsletters provide business and cultural news for employees around the world.

Future developments

Please see Chairman's Statement on page 10 and the CEO's Report on page 20 for details of future developments.

Environmental policy

The Group seeks to provide customers with products that meet their requirements with respect to fitness for use, reliability, delivery and value for money while ensuring that compliance with all industry regulatory standards. In particular, the Group:

- Is committed to the development and sustainability of its business, while minimising any adverse impact on the environment caused by its operations;
- Will promote good practices to ensure that it complies with all regulatory and legislative requirements and also seeks to continually reduce any adverse impact on the environment; and
- Will educate and motivate staff to be environmentally aware.

The Group's main operation is within the IVD testing industry, supplying test kits to hospital and research laboratories. Most of our tests are carried out on blood or serum samples and are based upon immunoassays involving an antibody antigen reaction. They use antibodies and other well-established common reagents that can be readily acquired. Materials are sourced from reputable suppliers and are handled according to their relevant instruction or legislation. All human, biological and radioactive materials used at our premises are treated as hazardous waste that is collected and disposed of by specialist contractors.

Health and safety

Health and safety is managed through local management teams and Health and Safety Committees that meet regularly throughout the year. The Group produces products adhering to the requirements of Good Manufacturing Practice ('GMP') required by the FDA and European IVD Directive.

Financial instruments

The Group continues to generate significant revenues, profits and cash flows through its subsidiary undertakings. We continue to monitor and manage our exposure to external pressures that may affect our performance. This includes monitoring our key customer and supplier contracts as well as looking to offset any exchange risk by matching liabilities with relevant assets. The majority of the Group's revenue is generated through subsidiaries that deal directly with end users. As such, we can maintain good relationships with respect to pricing and credit control, reducing risk in those areas. Note 33 to the financial statements gives specific information on the financial risks the Group is exposed to.

Substantial Shareholders

Substantial shareholders of the Company are set out in the Corporate Governance Report on page 42.

Principal risks and uncertainties

The principal risks and uncertainties are set out on pages 32 to 35.

Related party transactions

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

Annual General Meeting

The Company's Annual General Meeting will be held on Thursday, 23 July 2020 at 2pm at 10 Didcot Way, Boldon, Tyne and Wear, NE35 9PD. In light of public health advice in response to the COVID-19 outbreak, including to limit travel and public gatherings, the Company strongly encourages all shareholders to submit their Form of Proxy, appointing the Chairman as proxy, rather than attend the meeting in person. As a result of this advice, shareholders who seek to attend the General Meeting will not be admitted unless public health advice changes between the date of this Report and the date of the Annual General Meeting.

Auditors

PricewaterhouseCoopers LLP were appointed in the current year and have held office as Company auditor throughout the year and will be recommended for re-appointment at the Annual General Meeting to be held on Thursday, 23 July 2020.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are shown on page 38. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board,

Paul Martin
Company Secretary
16 June 2020

CORPORATE GOVERNANCE REPORT

Introduction from the Chairman

The purpose of our Board and corporate governance framework is to safeguard the interests of stakeholders by addressing the principal versus agent issues inherent in a company with public stock ownership. Our guiding principle is to approach these issues with the perspective of an owner with a long-term time perspective. We try to make any required trade-off between:

a) the interests of owners, agents and employees; and
b) the short and the long-term.

With this perspective in mind, a long-term owner will want a company built on the principles of sustainability, quality and highest ethical grounds – with the ultimate goal of generating a shareholder return at a rate aligned with the risk profile of the Company.

We approach corporate governance with two perspectives:

a) a principles-based approach – this is the formal side of corporate governance; and
b) a spirit-based approach.

In terms of a rule-based approach, as an AIM listed company IDS is for the second year required to follow the principles of a recognised corporate governance code. IDS has chosen to use the QCA Corporate Governance Code ('QCA Code') released in April 2018 as the recognised code to be applied.

Principles-based approach: IDS and the QCA Code

The following section sets out how IDS has approached each of the ten QCA Code principles, explaining how each of these has been applied, and in the event that IDS has not complied an explanation is given as to why ('comply or explain'):

Principle 1: Establish a strategy and business model which promote long-term value for shareholder

The vision and strategy of the Group, as adopted by the Board, is set out in the Strategic Review of this Annual Report on pages 4 to 37. To generate long-term value for our shareholders as a small player in the field of IVD we are focusing the Group on niches where it has a relative competitive advantage.

Examples are the focus on endocrinology as our core indication area, and the focus on autoimmune as an emerging indication area. We can leverage our autoimmune and endocrinology assays as a 'one stop' diagnostic solution for certain disease areas. On the organisational side we are pushing down responsibility to a management team which combines business sense with ambition, who have the goal of being nimbler than our competitors.

Our strategy should allow the Company to deliver a good return on its capital as well as growth going forward. These should in turn generate an attractive return to our long-term shareholders.

Principle 2: Seek to understand and meet shareholder needs and expectations

Shareholder liaison and contact

The Annual Report complimented by our Interim Report and RNS announcements on key business developments are the main way the Board communicates with the investor base. Our Annual Report is written in a forthright manner, containing all the KPIs needed to understand the performance of our business. We provide an honest assessment of our progress in the year, and an update on our Group strategy.

The Group Finance Director, Paul Martin, meets with major shareholders at least twice a year, at the time of announcing the Group's half and full-year results. During these meetings the shareholders views on the performance of the Group are understood and acted on as appropriate, ensuring any such actions are in the interests of all shareholders. In addition, Jaap Stuut or Paul Martin meet with major shareholders at their request. In FY2020 the Executive Directors had personal meetings with shareholders jointly holding more than 80% of our share capital.

Shareholder expectations

The Group's major shareholders are long-term in nature, and as such the Board's main objective is to deliver long-term value to these investors. The Board and major shareholders are aligned in the view that the way to deliver long term-value is to continue to accelerate the revenue growth shown by IDS.

Substantial shareholders
As at 31 March 2020, the Group has been notified in accordance with Rule 5 of the Disclosure and Transparency rules of the following major shareholdings:

Substantial shareholder	Shares held	% of voting rights
Forum Venture Capital GmbH	6,936,188	24%
Schroders plc	3,267,802	11%
Axxion S.A.	2,795,252	10%
Frankfurter Investmentgesellschaft mit variablem Kapital (SICAV)	2,419,648	9%
Shareholder Value Beteiligungen AG	1,645,000	6%
Polar Capital European Forager Fund Ltd	1,143,572	4%
Forum European Smallcaps GmbH	989,876	3%

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success
The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards employees, partners, customers, suppliers and the patients who ultimately benefit from its diagnostic tests. Our corporate social responsibility approach continues to meet these expectations. The Board also understands that it has a responsibility to take into account, where practicable, the social, environmental and economic impact of its approach.

We recognise that we cannot be a successful company without fruitful support and collaboration with our employees, customers, suppliers and regulators. We obtain regular feedback from these stakeholder groups to understand how IDS is performing in meeting their expectations.

Feedback examples include:

- Our customer care team undertakes performance surveys after each engineer customer visit, as well as requesting customers complete a detailed feedback questionnaire on an annual basis; and
- Feedback is received regularly from our employees, both through informal updates to the Executive Management Team and during site 'Town Hall' meetings, and through more formal mechanisms such as our appraisal and engagement survey processes which are set out in our Talent and People Management Report on page 7.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation
The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 32 to 35 of this Annual Report and Accounts 2020. These risks are reviewed by the Audit Committee at least annually, which will report its findings to the Board.

During the year, management performed a detailed exercise, on a function by function basis, to reassess what we believe to be our key risks, and our mitigation strategies for each. A functional risk register is managed by the requisite Functional Director. The results of this exercise were fed back to the Board in March 2020.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair
Independence of Directors
The Board believe that Mr Peter Williamson and Dr Peter Kaspar meet the criteria of independent Non-executive Directors, and hence IDS meet the QCA recommendation to have at least two independent Directors on the Board.

Board balance and size
The Board is comprised of a Non-executive Chairman, two independent Non-executive Directors, and two Executive Directors. We believe this is the ideal Board composition for IDS and is sufficient for a company of IDS's size when compared to similar sized companies' governance structures.

Meeting attendance
Five Board meetings are held during the year. These are scheduled in advance at the start of the year and held on a rotational basis at each IDS site, allowing the Board to get input from the local IDS team 'at the coalface'.

Formal Board sub-committee meetings are held when required, normally on the same date Board meetings are held, though they are also scheduled on an ad-hoc basis as required. Directors are expected to attend scheduled Board meetings in person. Attendance at Board and sub-committee meetings during the year is set out below:

	Board meeting		Audit committee		Remuneration Committee	
Director	Attended	Eligible	Attended	Eligible	Attended	Eligible
Dr B Wittek	5	5	2	2	0	0
Mr J Stuut	5	5	0	0	0	0
Mr P J Martin	5	5	0	0	0	0
Mr P Williamson	5	5	2	2	4	4
Dr K P Kaspar	5	5	0	0	4	4

The Nomination Committee only meets as matters arise.

Time commitment – 5+5 days involvement
We believe strongly that the Non-executive Directors should provide specific input into the business, in the areas in which they have specific expertise. To this end, they spend at least five days per year, in addition to the time spent attending and preparing for Board meetings, assisting and challenging the Executive Management Team on strategic projects specific to their skill set.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
Board skills and capabilities
The IDS Board currently has the broad range of skills and capabilities required to direct the Company. CVs of each member are set out on page 38 in the Annual Report & Accounts 2020, with further information provided below:

Dr Burkhard Wittek, the Non-executive Chairman, has been an investor in healthcare/diagnostics businesses for more than 20 years. As a major investor in IDS, Burkhard ensures the Board is focused on developing and driving a strategy which will bring long-term value to all investors.

Jaap Stuut, CEO, is a veteran of the MedTech sector, having served in senior sales and marketing positions in a number of pharmaceutical and MedTech companies with a focus on sales and marketing. Jaap's focus is on driving and delivering the strategic direction and top line revenue growth of IDS.

Paul Martin, Group Finance Director, is an experienced, commercially focused Finance Director who has worked across many different industries in Europe and Asia. Paul is also Company Secretary. Paul is a qualified Chartered Accountant with 20 years' experience.

Peter Williamson, Non-executive Director, has significant investment and Board level management experience in both Executive and Non-executive roles. As well as providing general business advice to the IDS Board, Peter has been instrumental in helping IDS achieve significant operational cost reductions since his appointment.

Peter Kaspar, Non-executive Director, has over 40 years of experience in Research and Development management, business development as well as general management in the MedTech sector. He brings in the scientific base required to take the right decisions, pushing for ambitious, yet realistic targets in our portfolio development. His vast network in the industry allowed IDS to always strive for best-in-class solutions.

Providing information and support
The Chairman ensures that all Directors are properly briefed to enable them to discharge their duties, via regular update calls and the provision of a detailed monthly Board pack. Material for the Board meetings is distributed several days before the actual meetings.

New Board members are given an on-boarding process, involving visits to the Boldon headquarters and at least one other site. In addition, Board members have the opportunity to take additional courses, e.g. in compliance rules.

Advisory role of the Company Secretary
Paul Martin acts as the Company Secretary and is responsible for ensuring the Company complies with relevant company law and other regulations and advising the Board in such matters. He obtains external legal guidance when needed.

Additionally, the Board recognises that there are instances where the Company Secretary cannot provide the specific legal advice an individual Director may need. In this case the Director will resort to our in-house counsel or may take external legal advice, having sought approval from the Chairman or Company Secretary.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
Board performance
The Chairman believes the Board has performed effectively during the year. Key strategic issues and risks are discussed in an open and forthright manner, with decisions being made based on the factual data available.

In terms of a scoreboard against clear and relevant objectives the rating would be that we have improved versus prior years, but are still far from best-in-class: in terms of structural objectives the Company reached many of its KPIs, most importantly delivering LFL revenue growth for the second consecutive year and placing 150 instruments. The share price also increased from £1.75 to £2.05 during the year. We would like to add that we do not set internal share price or shareholder return objectives, rather measuring our own success by the KPIs mentioned above – we believe in the long run the share price will reflect this performance.

Board evaluation
Due to the small size of IDS and its Board, a formal Board evaluation process has not been performed in the year. Instead the Chairman provides feedback to the Executive and Non-executive Directors in an informal manner. Any Board performance issues are addressed openly and frankly at each Board meeting.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours
The efforts being undertaken by the IDS Group to embed an appropriate corporate culture and related ethical values are set out in the Talent and People Management Report. To complement it we have a 'whistle-blowing policy' which is published on our intranet site and sets out the steps an employee can take to report inappropriate behaviour.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
Overall governance structure
The Executive and Non-executive Directors are collectively responsible for promoting the success of the Group. However, their respective roles are strictly delineated.

The Executive Directors have day-to-day responsibility for the business operations of the Group while the Non-executive Directors are responsible for bringing independent judgement to Board decisions and add perspectives beyond the day-to-day operations.

Specific roles and responsibilities
The Chairman, Dr Burkhard Wittek, is primarily responsible for focusing the Board discussions on the key levers for value creation and risk management as well as the effective running of the Board process. He is also responsible for fostering a process which leads to the selection of a Board team that has the skills to move the business forward, following the principles of a long-term owner as outlined above.

The Chief Executive Officer, Jaap Stuut, is responsible for implementing the strategy determined by the full Board. He is also responsible for providing the information to the full Board needed to take well-founded decisions.

Peter Williamson is the Chair of the Audit Committee and Remuneration Committee with responsibility for driving efficient processes in these groups.

Matters reserved for the Board
The full Board is responsible for determining the strategy of the Group. As such it has reserved the right to determine certain matters, such as approval of budgets and long-term plans as well as any decisions related to major capital allocation, major partnership agreements and M&A activity.

Conflicts of interest
Directors must avoid situations in which they have, or can have, a direct or indirect interest that conflicts with, or may conflict with, the Group's interests unless the matter has been authorised by the other Directors. Therefore, Directors are required to declare to the other Directors the nature and extent of any direct or indirect interest in a proposed transaction or arrangement with the Group and in any existing transactions or arrangements with the Group. The Board has power to authorise any conflicting interests or potential conflicting interests that are disclosed by a Director. A register is maintained of all outside Directorships held by the Directors, along with any conflicts of interest. This register is reviewed at the commencement of each Board meeting.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

As well as the main Board, the following sub-committees have been constituted to deal with specific areas of business, and to report to the full Board on these issues:

Audit Committee

IDS has not prepared a separate Audit Committee report, however, believe the disclosures below provide the information required by FRC Guidance on Audit Committee Reporting to Shareholders:

Responsibilities

The Audit Committee comprises two Non-executive Directors, its Chairman Mr Peter Williamson (who has relevant financial experience having served on the audit committees of several PE backed businesses) and Dr Burkhard Wittek. The Audit Committee is responsible for the relationship with the Group's external auditor, the review of the Group's financial reporting and the Group's internal controls.

Summary of work and number of meetings

The Committee will normally meet at least twice per year and is responsible for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on, meeting with the external auditor and reviewing reports from the external auditor. It meets with the external auditor at least twice per year, including at least once without the Executive Directors' present.

Auditor independence

The Audit Committee has undertaken an assessment of the auditor's independence, including:

- A review of non-audit services provided to the Group and related fees;
- Discussion with the auditor of a written report detailing all relationships with the Group and any other parties that could affect independence or the perception of independence;
- A review of the auditor's own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including regular rotation of the audit partner; and
- Obtaining written confirmation from the auditor that, in their professional judgement, they are independent.

The Audit Committee is satisfied that the external auditor is independent in the discharge of their audit responsibilities.

External auditors

The current auditor is PricewaterhouseCoopers LLP ('PWC') who were appointed in the previous year following a competitive tender process involving six participants. An analysis of fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 4 to the financial statements.

PWC has provided non-audit work, comprising taxation advice to the Group during the year amounting to £3,000 (2019: £nil). IDS's policy is that, where possible, the Group should appoint advisors other than the external auditor to perform non-audit work. In the event the external auditor is the most suitable advisor to perform non-audit work due to their specific knowledge and experience, such work is approved in advance by the Audit Committee Chairman. This was the case with the non-audit work performed by PWC during the year.

Internal audit

Due to the small size of the IDS Group, the Audit Committee believe the external audit process is sufficient to capture key risks related to financial audit, so as a result there is no internal audit function at IDS. We believe this approach is aligned with that of organisations of a similar size and complexity to IDS.

Significant issues considered

In conjunction with the external auditors and the Group Finance Director, on an annual basis the Audit Committee agrees the most significant financial risks, and the areas of focus for both the external auditors and Audit Committee.

The key areas of significant financial risk which were considered in the current year are:

- Accounting for development costs, and particularly appropriateness of costs capitalised and recoverability of any capitalised development cost balances;
- Impairment of non-current assets; and
- Impact of the COVID-19 pandemic on asset valuations and going concern.

Remuneration Committee
The Remuneration Committee comprises two Non-executive Directors, Mr Peter Williamson (Chairman) and Dr Peter Kaspar.

It reviews the performance of the Executive Directors, sets the scale and structure of their remuneration and reviews the basis of their service agreements with due regard to the interests of shareholders and the policy set by the Board (on the recommendation of the Committee). The Board itself determines the remuneration of the Non-executive Directors.

The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees. No Director is permitted to participate in discussions or decisions concerning his or her own remuneration. The details of Directors' remuneration and share options are contained within the Directors' Remuneration Report.

Nomination Committee
The Nomination Committee comprises the three Non-executive Directors, Dr Burkhard Wittek, Dr Peter Kaspar and Mr Peter Williamson. The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the Executive Directors and other senior executives in the Group and for the nomination of candidates to fill Board vacancies, where required. The Committee will meet on an occasional basis, as matters arise. The were no issues arising which required the Group to meet during FY2020.

Additional principles for corporate governance at IDS

In addition to the compliance with the QCA Code, IDS has implemented the following additional principles to strengthen its corporate governance framework.

Share ownership by Non-executive Directors
The Board believes that investment by the Non-executive Directors in the Company they work for leads to a better alignment of interests between Non-executive Directors and shareholders.

Through their investment, the Non-executive Directors signal that they believe in the long-term success of the Company. Moreover, it is an additional incentive to look after long-term value creation for shareholders. Thus, new Board members are encouraged to invest at least one year's compensation into IDS shares. The share ownership of the Non-executive Directors in the Company is set out in the Director's Remuneration Report on page 50. When valued at the year end share price of £2.05, all the Non-executive Directors have invested at least one year's compensation in IDS shares.

This philosophy of share ownership for all Directors to 'have skin in the game' has also led the Company to implement a Co-Investment Plan as the long-term incentive for the Executive Directors and senior management instead of a plain-vanilla options scheme which lets participants benefit from the upside, but without any downside risk. Both Executive Directors have invested in this plan during the year.

Long-term themes
When agenda-setting, the Chairman coordinates with the Executive Directors and the other Non-executive Directors to agree a meaningful rotation of long-term topics. Themes covered include the COVID-19 risk, People/Talent and Culture, Corporate Development, our progress in key areas where we can generate significant growth, and updates on Research and Development portfolio. The purpose of such agenda-setting is to ensure the Board also focuses on long-term topics, and not solely on the shorter-term issues which often monopolise the workload of the management team.

Going concern

The Board has considered the applicability of the going concern basis in the preparation of these financial statements. This included a consideration of the Group's cash reserves amounting to £27.6m at 31 March 2020 and internal forecasts of the financial results which have been adjusted to reflect the estimated impact of the COVID-19 pandemic on revenues during FY2021. Even when considering an extreme worst case scenario, which assumes revenues in FY2021 which are 35% below our plan, the Group still has significant cash reserves available one year from the date of approval of the Annual Report and Accounts 2020. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they have adopted the going concern basis in the preparation of the financial statements.

By order of the Board,

Paul Martin
Company Secretary
16 June 2020

DIRECTORS' REMUNERATION REPORT

Introduction and compliance

On behalf of the Board, I am pleased to present our 2020 Remuneration Report to you, as the owners of our business. The report will cover the required regulatory information, provide further insight into our Director pay arrangements, as well as continuing to provide a fully transparent approach to our remuneration policies.

We continue to welcome feedback from our shareholders in how we seek to improve this report each year. A resolution inviting shareholders to approve the report will be put to the Annual General Meeting ('AGM') on 23 July 2020, however, please note the restrictions on attending the AGM in person set out in the Directors Report on page 40.

Remuneration Committee

The Remuneration Committee has been established by the Board and has responsibility for Executive remuneration. The Committee continues to be chaired by Mr P Williamson, Non-Executive Director and includes Dr K P Kaspar, Non-executive Director. Nicola Mitton, Group HR Director, acts as Secretary to the Committee and provides advice on remuneration policies and practices. As well as having regular meetings during the year, the Committee carries out an annual review of the Company's remuneration practices and incentive plans to ensure they remain aligned to the Company's strategic goals. No Executive Director or other attendee is present during any discussion regarding their own remuneration.

Whilst the Committee reviews internal Company remuneration policies the Committee also regularly reviews the industry and peer groups to assess external trends and best practice.

1. Non-executive Directors' remuneration

1.1 Policy

The Board's policy is to ensure it maintains Non-executive Directors ('NEDs') who have a blend of skills and experience from varying backgrounds, with a sense of passion to work collaboratively in sharing their knowledge to strengthen our Group performance. It is therefore the Board's policy for the Non-executive Directors to be paid a level of fee that reflects remuneration of NEDs at companies of a comparable size and/or market capitalisation. It is set at £30,000 for members, with the Chairman pegged at 200% of this level. As mentioned in the Corporate Governance Report the Company expects its NEDs to spend circa five days per annum in meetings as well as at least five additional days taking a more in-depth look at Company issues in their respective fields of expertise.

NEDs remuneration comprises of a basic fee only, with no bonus. NEDs do not participate in the Co-Investment Plan, nor do they receive any pension benefits from the Company.

The Company has entered into a letter of appointment with each of its NEDs. Each appointment is normally for a three-year term and includes a provision that either party may terminate the appointment by giving the relevant notice period. The dates of the letters of appointment for the NEDs who served during the year ended 31 March 2020 are:

Non-executive Director	Date of letter of appointment	Date of expiry
Dr Burkhard Wittek	25 November 2017	24 November 2020
Mr Peter Williamson	15 June 2018	14 June 2021
Dr Peter Kaspar	2 November 2018	1 November 2021

1.2 Implementation in FY2020

The aggregate amount of fees paid to NEDs during the year was £120,000 (2019: £139,000).

2. Executive Directors' remuneration

This chapter sets out information concerning the compensation of the Executive Directors and Executive Management Team. The Executive Management Team is currently comprised of seven members including the two Executive Directors.

2.1 Policy

Remuneration of the Executive Directors consists of the following components:

a) Base salary plus benefits in kind;
b) Annual bonus; and
c) Co-Investment Plan.

2.1.1 Base salary plus benefits in kind

Base salaries for the Executive Directors are determined upon benchmarking against:

a) Base salaries paid to Executive Directors in UK listed companies of a comparable size and market capitalisation; and
b) Base salaries paid in a self-selected sample of quoted UK MedTech companies of a comparable size and market capitalisation.

Within the range given by this benchmarking the Remuneration Committee follows a differentiation to account for experience, seniority and individual contribution. Base salaries are reviewed annually.

Benefits in kind include private health insurance, life insurance, company vehicle or equivalent monetary compensation and a contribution to an externally managed defined contribution pension scheme. They are largely proportional to the base salary.

2.1.2 Annual bonus

The Group operates an annual bonus plan. It is structured as a capped arrangement with the maximum pay-out ('the cap') defined as a percentage of the individual's base salary. The respective ratios were again determined by benchmarking based on data on comparable listed companies plus evaluation of additional MedTech companies.

As a result of this benchmarking exercise the Remuneration Committee approved a maximum bonus of up to 60% of base salary for the Chief Executive Officer, up to 40% of base salary for the Group Finance Director and for the Executive Management Team up to 30% of their basic salary.

The Board tries to set targets for the pay-out in such a manner that good performance will be rewarded with a pay-out of 90% of the maximum bonus. This level is the basis for calculating and communicating our on-target-income to the Executive Management Team below.

The annual bonus for the Executive Management Team is split as follows:

a) 70% of the maximum bonus for Executive Directors, and between 40% and 70% for the Executive Management Team is linked to Group financial performance metrics, mainly revenues and EBITDA; and
b) 30% of the maximum bonus for Executive Directors, and between 30% and 60% for the Executive Management team is linked to individual performance metrics.

The maximum bonus for management below the level of the Executive Management Team is based upon 40% financial performance and 60% individual performance metrics.

The financial performance targets are based on the internal financial budget of the Group. The individual performance metrics are based on outcomes as opposed to efforts.

Full pay out for financial targets is achieved when the stretch targets, which are above the budgeted levels, have been met.
Full pay out for individual targets is achieved when the stretch targets are fully met.

The Remuneration Committee reserves the right to exercise discretion where targets have not been clearly met or missed by a small percentage for two reasons: major external events which could not have been foreseen or over achievement in other goals.

2.2 Implementation in FY2020

Group financial targets

During the year the financial targets consisted of a revenue target and an EBITDA target restated to the Group's budgeted foreign exchange rates and adjusted for IFRS 16. An overview of the financial targets set for the Chief Executive Officer, Group Finance Director and Executive Management Team, along with their attainment in the year, are set out below.

	Minimum (0% pay-out)	On target (90% pay-out)	Maximum (100% pay-out)	Actual results in FY2020	Pay-out percentage
Revenue	36,000	40,000	42,000	39,347	75.3%
Adjusted EBITDA	3,981	4,976	6,036	5,446*	94.5%

*Actual EBITDA has been adjusted to reflect the impact of IFRS 16 'Leases' adjustment in FY2020 which was not assumed in the Group financial targets.

Personal targets

The incentives related to individual performance for the Executive Management Team paid out in the range of 0% to 92% payment.

Overview of bonus payments
An analysis of the bonus amounts payable to the Chief Executive Officer, Group Finance Director and the Executive Management Team relating to FY2020 are set out below:

		Maximum bonus £000	% Payout	Payout £000
Jaap Stuut (Chief Executive Officer)	Revenue	36.1	75%	27.2
	Adjusted EBITDA	36.1	95%	34.1
	Personal targets	31.0	67%	20.7
	Total	**103.2**	**79%**	**82.0**
Paul Martin (Group Finance Director)	Revenue	22.7	75%	17.1
	Adjusted EBITDA	22.7	95%	21.5
	Personal targets	19.5	67%	13.0
	Total	**64.9**	**79%**	**51.6**
Remainder of Executive Management Team (average)	Revenue	6.7	58%	3.9
	Adjusted EBITDA	6.7	95%	6.3
	Personal targets	13.0	65%	8.4
	Total	**26.5**	**66%**	**18.6**

3. Co-Investment Plan/CIP

3.1 Policy

The Co-Investment Plan is open to all Executive Directors and members of the Executive Management Team. The Executive Directors propose participants and the Remunerations Committee approves.

The scheme is a Co-Investment Plan. It requires the participant to buy shares in the market at market prices. The Company will then grant three options for each share purchased. The maximum amount of options granted per annum is fixed at a percentage of the base salary. For the CEO this cap is set at 100% of base compensation, for the Group Finance Director at 80% of base salary and for the remainder of the Executive Management Team at 40% of base salary.

The performance targets for exercise conditions and employee eligibility are set on an annual basis subject to the overall scheme rules.

The performance target for options granted during FY2020 specifies these options shall only become exercisable once the adjusted basic earnings per share ('EPS') (i.e. after adjusting for exceptional items) exceeds 9.81 pence per share based on the results of the Company for the year ended 31 March 2023 ('FY2023') or 11.22 pence per share for the year ended 31 March 2024 ('FY2024').

The above EPS shall be calculated using the same methodology as the Company's Annual Report & Accounts 2020. However, irrespective of the actual tax rate incurred in either FY2023 or FY2024, an effective tax rate of 19% shall be used instead when calculating the EPS for this vesting condition.

If there is a material change of circumstances in the Group, these performance conditions may be revised by the Remuneration Committee.

The options shall vest following three calendar years from the date of purchase of the shares ('vesting date') subject to the employee retaining ownership of their shares and remaining in employment until the vesting date. There is no proportional vesting, so for example, a plan member leaving the business after two years loses their options. The Remuneration Committee has chosen this policy as it considers a three-year period relatively short when it comes to making a contribution in the MedTech sector, where change is affected relatively slowly. Thus, a person leaving after less than three years will not have left a relevant contribution.

Vested options may become exercisable upon meeting the performance target or earlier in the event of a change in control of the Company.

3.2 Implementation in year

Currently seven individuals are eligible to participate in the scheme, and three have chosen to make an investment in Company shares to date. During FY2020, Jaap Stuut purchased 2,500 shares and was granted 7,500 options, and Paul Martin purchased 3,000 shares and was granted 9,000 options. Paul Martin was granted a further 39,000 options, in relation to co-investment shares purchased more than three years prior, which were associated with options which have vested.

Summary of Directors' remuneration (audited)

The remuneration in respect of qualifying services of each person who served as a Director during the financial year ended 31 March 2019 is shown below. No Director took part in discussions or decisions relating to their own remuneration.

	2020 Remuneration					Pension	
	Salary £000	**Bonus £000**	**Benefit £000**	**Total £000**	2019 £000	**2020 £000**	2019 £000
Executive Directors' (salary)							
Mr J Stuut	**176**	**82**	**–**	**258**	206	**26**	27
Mr P J Martin	**187**	**52**	**1**	**240**	207	**10**	22
Sub-total	**363**	**134**	**1**	**498**	413	**36**	49
Non-executive Directors' (fees)							
Dr B Wittek	**60**	**–**	**–**	**60**	60	**–**	–
Mr P J Williamson	**30**	**–**	**–**	**30**	30	**–**	–
Dr K P Kaspar	**30**	**–**	**–**	**30**	30	**–**	–
Mr R Sackers*	**–**	**–**	**–**	**–**	11	**–**	–
Mr T Campe*	**–**	**–**	**–**	**–**	8	**–**	–
Sub-total	**120**	**–**	**–**	**120**	139	**–**	–
Total	**483**	**134**	**1**	**618**	552	**36**	49

* Mr R Sackers and Mr T Campe resigned and left the Company as Non-executive Directors effective 30 June 2018.

Share ownership and share awards granted to the Directors (audited)

The table below shows the number of shares owned by Directors, along with the number of options granted to Executive Directors in respect of the Co-Investment Plan during the financial year ending 31 March 2020, for Directors in office at 31 March 2020.

	Shares owned at 1 April 2019	Shares owned at 31 March 2020	Options at 1 April 2019	Granted during year	Lapsed during year	Exercised during year	Options at 31 March 2020	Option price	Date of grant	Vesting date	Expiry date
Mr P J Martin	10,000	–	30,000	–	–	–	30,000	1.32	28/03/2017	23/06/2019	28/03/2027
	3,000	–	9,000	–	–	–	9,000	2.78	28/03/2017	28/03/2020	28/03/2027
	2,100	2,100	6,300	–	–	–	6,300	2.90	29/03/2018	29/06/2020	29/03/2028
	2,000	2,000	6,000	–	–	–	6,000	2.20	29/03/2018	29/03/2021	29/03/2028
	2,250	2,250	6,750	–	–	–	6,750	1.84	28/03/2019	06/12/2021	28/03/2029
	–	10,000	–	30,000	–	–	30,000	1.80	25/06/2019	25/06/2022	25/06/2029
	–	3,000	–	9,000	–	–	9,000	2.20	31/03/2020	21/02/2023	31/03/2030
	–	3,000	–	9,000	–	–	9,000	1.70	31/03/2020	23/03/2023	31/03/2030
	19,350	**22,350**	**58,050**	**48,000**	**–**	**–**	**106,050**				
Mr J Stuut	2,500	2,500	7,500	–	–	–	7,500	2.20	29/03/2018	29/03/2021	29/03/2028
	2,500	2,500	7,500	–	–	–	7,500	1.90	28/03/2019	06/12/2021	28/03/2029
	–	2,500	–	7,500	–	–	7,500	2.10	31/03/2020	20/02/2023	31/03/2030
	5,000	**7,500**	**15,000**	**7,500**	**–**	**–**	**22,500**				
Dr B Wittek	7,971,530	7,971,530	–	–	–	–	–				
Dr K P Kaspar	18,100	18,100	–	–	–	–	–				
Mr P J Williamson	40,000	45,000	–	–	–	–	–				

By order of the Board

Peter Williamson
Chairman of Remuneration Committee
16 June 2020

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

INDEPENDENT AUDITORS' REPORT

to the members of Immunodiagnostic Systems Holdings PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Immunodiagnostic Systems Holdings PLC's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 2020 Annual Report and Accounts ("The Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2020; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

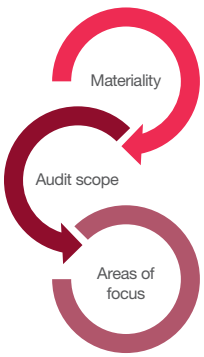
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £393,000 (2019: £385,000), based on 1% of total revenues.
- Overall parent company materiality: £250,000 (2019: £250,000), based on 1% of total assets, capped by Group allocation.

- Four full scope audit components have been identified alongside the company. This approach provides 89.5% coverage over the group's revenue.
- Desktop reviews were performed over all out of scope divisions.

- Capitalisation of Development Costs (Group)
- Carrying Value of Development Costs (Group)
- Carrying Value of Investments in Subsidiaries (Parent)
- Impact of COVID-19 (Group and Parent)

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Group	
Capitalisation of development costs The Group capitalises development expenditure on projects which are expected to generate future income through new product launches. IAS 38 sets out specific criteria which expenditure must satisfy in order for capitalisation to be permitted. The criteria includes, but is not limited to, costs being developmental in nature, and the associated projects being technically feasible. There is a risk that capitalised costs do not meet the requirements of IAS 38, for example, costs incurred during the research phase of a project, which would result in an overstatement of Intangible Assets and profits. Development costs totalling £1,867,000 were capitalised during the year (2019: £2,387,000).	We have obtained management's calculation of development costs capitalised within the year, and verified the mathematical accuracy of the spreadsheet. We performed detailed testing on a sample basis, including the corroboration of capitalised payroll costs to underlying payroll records and confirming the appropriateness of those employees' costs being capitalised, vouching external costs back to supporting invoices and testing the reasonableness of allocated overhead costs spread over the projects. We also performed a detailed review of any post launch expenditure on a sample basis to ensure that this remains in line with IAS 38 capitalisation requirements. Based on the audit evidence obtained, we did not identify any evidence of misstatement in relation to the capitalisation of development costs as at 31 March 2020.
Carrying value of development costs The Group has capitalised development costs with a carrying value of £10,611,000 (2019: £10,847,000) and therefore, there is a risk that the expected future cash flows generated from these projects do not support the carrying value of the assets which would result in an impairment charge. IAS 36 states that an asset should be impaired if its current carrying value exceeds the recoverable amount of the asset. The recoverable amount of an asset is in reference to the higher of the value in use, and the selling price of the asset after deducting related costs to sell. We have therefore identified an inherent risk in relation to the estimation uncertainty involved in an impairment review which is based on future sales forecasts.	In assessing the reliability of management's forecasting ability, we have reviewed the historical forecasting accuracy by performing a look back on prior year forecasts versus actuals. We obtained the discounted cash flow model prepared by management which is used to support the current carrying value of capitalised development costs. We have agreed the mathematical accuracy of the model and key inputs into the calculation to supporting financial information. We have performed sensitivities over key assumptions used, including discount rate, expected future sales growth, gross margin percentage used and length of forecast period. Based on the audit evidence obtained, we are satisfied with management's conclusion that development costs as at 31 March 2020 are not impaired.

Key audit matter	How our audit addressed the key audit matter
Group and Company **Impact of COVID-19** The ongoing and evolving COVID-19 pandemic is having a significant impact on the global economy and the economies of those countries in which the Group operates. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies. Management have considered the potential impact on the Group of the ongoing COVID-19 pandemic in several areas. In relation to the Group's going concern assessment, management adjusted the cash flow forecasts to reflect their expectation of the decline in revenue as a result of COVID-19. Management also modelled a cash flow forecast detailing a further severe but plausible downside scenario as a result of COVID-19. As the COVID-19 outbreak relates to conditions which were present as at the balance sheet date, this is considered to be an adjusting event. The expected impact arising from this has been factored into the impairment assessment of Group and Parent company assets.	We re-evaluated our risk assessment, including the going concern risk of the Group. Based on management's assessment and our audit procedures thereon as described below, we consider our original risk assessment to remain appropriate and therefore considered going concern to be a normal risk for this engagement. We obtained and reviewed the management accounts for the financial year to date and checked that these were consistent with the starting point of management's forecasts. We assessed the composition of costs within the forecasts to evidence that they were prepared on a consistent and appropriate basis. We evaluated management's downside scenarios, and challenged their adequacy by performing sensitivities on the key assumptions. We are satisfied with management's conclusion that there is sufficient liquidity over the going concern period and that there is no asset impairment arising from COVID-19. Our conclusion in respect of going concern is included in the "Conclusions related to going concern" section below. We concur with management that the COVID-19 pandemic is indicative of conditions that arose prior to the balance sheet date and therefore is an adjusting event. As such we agreed that it was appropriate for management's future assumptions used in determining impairment assessments performed as at 31 March 2020 to take account of the potential impairment of COVID-19. We reviewed management's disclosures in the financial statements in relation to COVID-19, and are satisfied that they are consistent with the risks affecting the Group, impact assessment and work performed.
Company **Carrying value of investments in subsidiaries** The Company holds Investments in subsidiaries with a carrying value of £34,986,000 (2019: £51,587,000). There is an inherent uncertainty and judgement in forecasting future cash flows, and therefore there is a risk that investments in subsidiaries may not be recoverable where the net investment is not supported by the subsidiary net assets.	We have assessed whether the net investment for each subsidiary is supported by the subsidiary net assets. Where this is not the case, we have obtained management's calculation of future cash flows attributable to each investment. We have agreed the mathematical accuracy of the model and key inputs into the calculation to supporting financial information. We have performed sensitivities over key assumptions used, including discount rate, expected future sales growth and margin. Based on the audit evidence obtained, we are satisfied with management's conclusion that the investments in subsidiaries balances as at 31 March 2020 are not impaired.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

There are four components which required a full scope audit of their financial information, due to their size and contribution to the financial results of the group. These were the trading entities within the UK, France, Germany and USA. Immunodiagnostic Systems Holdings Plc is also subject to full scope audit of its financial information, due to the separate presentation of these financial statements within this report.

The audit work over UK and USA was performed by the PwC group team, and the Germany and France components were audited by component audit teams. Regular communication was held between the PwC group team and component teams and working papers of all in scope components were reviewed by the PwC group team. Site visits were planned as part of our audit procedures, but were not carried out due to the COVID-19 global pandemic and restrictions on travel as a result of this.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£393,000 (2019: £385,000).	£250,000 (2019: £250,000).
How we determined it	1% of total revenues.	1% of total assets, capped at group allocation
Rationale for benchmark applied	Based on the low profit margins experienced by the group, and revenue being a key performance indicator of the group, total revenues is deemed a more appropriate measure than profit before tax. Revenue is a primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.	We believe that as a holding company, the most appropriate benchmark for materiality is total assets, which is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £200,000 and £250,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £19,650 (Group audit) (2019: £19,250) and £12,500 (Parent company audit) (2019: £12,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 51 the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
16 June 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Revenue	2, 3	**39,347**	38,513
Cost of sales		**(21,971)**	(21,817)
Gross profit		**17,376**	16,696
Sales and marketing		**(8,890)**	(9,075)
Research and development		**(1,926)**	(2,444)
General and administrative expenses		**(5,232)**	(4,837)
Operating costs pre-exceptional items		**(16,048)**	(16,356)
Exceptional items			
Restructuring credit	4	**–**	89
Total exceptional items		**–**	89
Operating costs		**(16,048)**	(16,267)
Profit from operations	4	**1,328**	429
Finance income			
Finance income pre exceptional items		**891**	495
Exceptional finance income		**1,226**	–
Total finance income	7	**2,117**	495
Finance costs	8	**(191)**	(82)
Profit before tax		**3,254**	842
Income tax income/(charge)	9	**94**	(46)
Profit for the year attributable to owners of the parent		**3,348**	796
Earnings per share			
Adjusted basic	11	**7.4p**	2.4p
Adjusted diluted	11	**7.4p**	2.4p
Basic	11	**11.6p**	2.7p
Diluted	11	**11.6p**	2.7p

All results relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	2020 £000	2019 £000
Profit for the year	**3,348**	796
Other comprehensive expense to be reclassified to profit or loss in subsequent periods		
Currency translation differences	**(137)**	(505)
Exchange differences classified to profit and loss on liquidation of foreign subsidiary	**(1,226)**	–
Other comprehensive expense to be reclassified to profit or loss in subsequent periods, before tax	**(1,363)**	(505)
Tax relating to other comprehensive income to be reclassified to profit or loss in subsequent periods	**–**	–
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods		
Remeasurement of defined benefit plan	**(8)**	(40)
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods, before tax	**(8)**	(40)
Tax relating to other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(5)**	14
Other comprehensive expense net of tax	**(1,376)**	(531)
Total comprehensive income for the year attributable to owners of the Parent	**1,972**	265

CONSOLIDATED BALANCE SHEET

31 March 2020

Company Registration
No. 05146193

	Notes	2020 £000	2019 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**9,806**	6,852
Other intangible assets	14	**11,162**	11,177
Deferred tax assets	22	**116**	70
Other non-current assets	16	**289**	283
		21,373	18,382
Current assets			
Inventories	17	**10,740**	7,819
Contract assets	2	**317**	380
Trade and other receivables	18	**11,153**	8,958
Income tax receivable		**2,140**	2,667
Cash and cash equivalents	18	**27,584**	27,713
		51,934	47,537
Total assets		**73,307**	65,919
Liabilities			
Current liabilities			
Lease liabilities	19	**833**	82
Trade and other payables	20	**9,494**	6,511
Contract liabilities	2	**209**	278
Income tax payable		**485**	369
Provisions	23	**76**	46
Government grants	24	**22**	33
		11,119	7,319
Net current assets		**40,815**	40,218
Non-current liabilities			
Lease liabilities	19	**2,724**	1,092
Employee benefit obligations	21	**360**	363
Provisions	23	**969**	846
Deferred tax liabilities	22	**1,046**	996
		5,099	3,297
Total liabilities		**16,218**	10,616
Net assets		**57,089**	55,303
Called up share capital	27	**589**	589
Share premium account	28	**32,345**	32,345
Other reserves	29	**3,297**	4,660
Retained earnings		**20,858**	17,709
Equity attributable to owners of the Parent		**57,089**	55,303

The financial statements on pages 57 to 93 were approved by the Board of Directors and authorised for issue on 16 June 2020 and are signed on its behalf by:

Mr J Stuut
Chief Executive Officer

Mr P J Martin
Group Finance Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Operating activities			
Cash generated from operations	30	**4,755**	5,089
Cash outflow related to exceptional costs		**–**	(147)
Income taxes received		**788**	838
Net cash from operating activities		**5,543**	5,780
Investing activities			
Purchases of other intangible assets		**(2,198)**	(2,492)
Purchases of property, plant and equipment		**(2,638)**	(2,122)
Net proceeds from disposals of property, plant and equipment		**–**	26
Interest received		**173**	162
Net cash used by investing activities		**(4,663)**	(4,426)
Financing activities			
Principal element of lease payments		**(546)**	(79)
Interest paid		**(191)**	(82)
Dividends paid		**(201)**	(500)
Purchase of own shares		**–**	(1,358)
Net cash used by financing activities		**(938)**	(2,019)
Net decrease in cash and cash equivalents		**(58)**	(665)
Effect of exchange rate differences		**(71)**	(155)
Cash and cash equivalents at beginning of year		**27,713**	28,533
Cash and cash equivalents at end of year		**27,584**	27,713

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Share capital (Note 27) £000	Share premium account (Note 28) £000	Other reserves (Note 29) £000	Retained earnings £000	Total £000
At 1 April 2018	589	32,345	5,165	18,773	56,872
Profit for the year	–	–	–	796	796
Other comprehensive (expense)/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**
At 1 April 2019	589	32,345	4,660	17,709	55,303
Profit for the year	–	–	–	3,348	3,348
Other comprehensive (expense)/income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	–	–	(137)	–	(137)
Exchange differences classified to retained earnings on liquidation of foreign subsidiary	–	–	(1,226)	–	(1,226)
Remeasurement of defined benefit plan	–	–	–	(8)	(8)
Tax effect on remeasurement of defined benefit plan	–	–	–	(5)	(5)
Total comprehensive (expense)/income	–	–	(1,363)	3,335	1,972
Transactions with owners					
Share-based payments	–	–	–	15	15
Dividends paid	–	–	–	(201)	(201)
At 31 March 2020	**589**	**32,345**	**3,297**	**20,858**	**57,089**

1. Accounting policies

a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the European Union ('IFRS') and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis and on the historical cost basis except for certain financial instruments, which are stated at their fair values. The measurement basis and principal accounting policies are unchanged from the previous year except for new standards effective from 1 April 2019 and are set out below.

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Immunodiagnostic Systems Holdings PLC is a public listed company incorporated, domiciled and has its registered office in England in the UK. The Company's Ordinary shares are traded on AIM. The registered number is 05146193 and the registered address is 10 Didcot Way, Boldon Business Park, Boldon, Tyne & Wear, NE35 9PD.

b) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) made up to 31 March each year. Where necessary, adjustments are made to the financial statements of the subsidiary undertakings to bring the accounting policies used into line with those used by the Group. Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiary undertakings

Subsidiary undertakings are entities controlled by the Company. Control exists if, and only if, the Group has:

- Power over the entity (existing rights that give it the current ability to direct the relevant activities of the entity);
- Exposure, or rights, to variable returns from its involvement with the entity; and
- The ability to use its power over the entity to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control.

Acquisitions

The acquisition method of accounting is used to account for the acquisition of subsidiary undertakings by the Company since the date of transition to IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. On acquisition, the assets and liabilities of a subsidiary undertaking, including identifiable intangible assets, are measured at their fair value at the date of acquisition.

The results and cash flows relating to the business are included in the consolidated financial statements from the date of combination.

Acquisitions of entities that do not meet the definition of a business are accounted for as asset acquisitions rather than business combinations. On an asset acquisition, the consideration paid is allocated to those assets and liabilities acquired based on the relative fair values of those assets and liabilities; goodwill does not arise.

c) Functional and presentation currencies

The consolidated financial statements are presented in Pound Sterling, which is also the functional currency of the Company.

d) Foreign currencies

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency (e.g. property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

1. Accounting policies continued

d) Foreign currencies continued

Gains and losses arising on retranslation are recognised in profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are also recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at the exchange rates prevailing at the reporting date. Income and expense items are translated at monthly average exchange rates unless exchange rates have fluctuated significantly during any month, in which case the exchange rate at the date of the transaction is used. All exchange differences arising, if any, are transferred to the currency translation reserve and are recognised as income or expenses in the period in which the operation is disposed of, or partially disposed of, or when control is lost.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates prevailing at the reporting date.

e) Revenue recognition

The scope of IFRS 15 includes all contracts where the Group has agreed to provide goods or services to a customer, except for the following:

- Insurance contracts (IFRS 4);
- Financial instruments (IAS 39/IFRS 9); and
- Leases (IFRS 16).

IFRS 15 establishes principles for determining when and how revenue arising from contracts with customers should be recognised. IDS should recognise revenue when it transfers goods or services to a customer based on the amount of consideration to which we expect to be entitled from a customer in exchange for fulfilling our performance obligations.

In the prior year, IDS performed a review of all income streams against the requirements of IFRS 15. Management undertook a detailed assessment of all contracts and revenue streams across the business using the five-step approach specified by IFRS 15: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) a performance obligation is satisfied.

In determining the appropriate method of recognising revenue, management is required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If performance obligations are not satisfied over time, the Group recognises revenue at a point in time.

IDS is in the business of developing, manufacturing and selling in-vitro diagnostics tests ('IVD') and has three business units.

1. **Automated IVD business** – The Automated IVD business comprises the sale or placement of our IDS instrument, in addition to selling automated assays and consumables for use on these instruments. The typical revenue model in a country where we have a direct sales organisation is to place an instrument for no up-front cost to the customer, against a contract to buy |a certain number of assays and consumables for a period of several years. A typical contract will run for a fixed period of three years. The renewal rate in the industry after the end of this term tends to be around 90+%, i.e. the churn rate is around three percent per annum.

2. **Manual IVD business** – In this business segment we sell assay kits whereby the testing is performed by laboratory technicians. Nearly all of these are ELISA kits, which are the standard type of test in smaller laboratories. We also have a small range of radio-immunoassays which are used by laboratories with the required equipment, processes and certifications to handle radioactive tests. The revenue in this business is straightforward: we sell assays and ancillaries for cash.

1. Accounting policies continued

3. **Technology business** – The Technology part of our business deals with monetising our technology and know-how to OEMs, i.e. mostly other companies in the field of IVD. It is sub-segmented as follows:

a) Supplying proprietary antibodies and assays with unique characteristics (i.e. biological technology)
b) Marketing the IDS analyser technology (i.e. instrument technology)

The revenue models in these segments are made up as follows:

a) In biological technology such as assay and antibodies: predominantly royalties plus goods delivered.
b) In instrument technology: milestones at defined stages of development and a margin on hardware and consumables revenues.

Revenue is measured at the fair value of consideration received or receivable for goods and services provided or performed in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sale of reagents and consumables

Sales of reagents and consumables to customers are recognised when control of the product has transferred to the third party. This is usually when title passes to the customer, either on shipment or on receipt of goods depending on the delivery terms of the customer contract. The performance obligation is satisfied when control has passed to the customer. The transaction price is specified either in the customer contract or in authorised catalogue price lists. This treatment has not changed following the adoption of IFRS 15.

Sale of instruments

The sale of instruments is recognised when control of the instrument has transferred to the third party. This is usually when title passes to the customer, either on shipment or on receipt of goods depending on the delivery terms of the customer contract. The performance obligation is satisfied when control has passed to the customer. This treatment has not changed following the adoption of IFRS 15.

Sale of servicing contracts

Revenue for servicing is a separate performance obligation contractually agreed with the customer to cover a specific period of time and will be recognised equally over that period. This treatment has not changed following the adoption of IFRS 15.

Royalties

Revenue received or receivable from royalties is recognised on an accruals basis, as it can be reliably predicted based on previous regular receipts. This treatment has not changed following the adoption of IFRS 15.

Licence income

Licence income is recognised in different ways dependent upon the relevant agreement. Licence income is spread over a period where the associated activity spans that period. Where licence income is dependent upon the achievement of a specific action (i.e. milestones), it is recognised when that action is complete.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices and the relevant practical expedients available have been applied.

Lease income

Revenue from the provision of the IDS analyser instruments and associated reagent sales is recognised according to assessment of the rental agreement to identify whether the contract contains a lease, by reference to the determining factors set out in IFRS 16. It has been determined that the IDS analyser instrument contracts do contain a lease. The reagent rental revenue generated from the placement of IDS analyser instruments is recognised as lease rental payments. The Group has adopted IFRS 15 when determining the relevant proportions of automated assay revenues and operating lease rental payments, including assessment of the standalone selling price of an IDS anlayser instrument.

f) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (discount on acquisition) is recognised directly in profit or loss.

Goodwill is recognised as an asset and reviewed for impairment at least annually. The Group impaired all goodwill fully in the year ending 31 March 2016.

On disposal of a subsidiary undertaking, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1. Accounting policies continued

g) Other intangible assets

Internally generated intangible assets

Internally generated intangible assets have arisen from the Group's development of the IDS-iSYS automated platform, consisting of the instrument itself and reagents, and a new enterprise resource planning ('ERP') system.

Expenditure on research activities, or the research (feasibility) phase of a project, is recognised in profit or loss as incurred.

Expenditure arising from development activities, or the development (post-feasibility) phase of a project, is recognised as an asset only if all of the following conditions are met:

An asset is created that can be identified;

- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- The Group has the intention to complete the asset and the ability and intention to use or sell it;
- The product or process is technically and commercially feasible; and
- Sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, development expenditure is recognised in profit or loss in the period in which it is incurred. This is the case with development expenditure on research use only products as there is uncertainty as to the magnitude of future revenues being sufficient to cover the development costs.

Internally generated intangible assets are amortised, once the product is available for use, on a straight-line basis over their useful lives. Development costs related to the IDS analyser, including expenditure incurred on the automation of assay products for the system, are being amortised over ten years. Development costs incurred on the ERP system are amortised over five years from the time the relevant part of the system goes live.

Purchased intangible assets – patents and licences

Purchased intangible assets acquired separately are measured initially at cost and amortised on a straight-line basis over the economic life embedded within the patent registration or licence agreement (up to 16 years).

Intangibles arising on a business combination – patents and product technology

Patents and product technology (which comprises know-how and similar identifiable, valuable rights connected to a particular product line), acquired as part of a business acquisition, are measured initially at fair value and subsequently amortised on a straight-line basis over their estimated useful lives (nine to 20 years).

Intangible assets that have been assigned a finite life are amortised on a straight-line basis over the assets' useful life and are tested for impairment if events or changes in circumstances indicate that the carrying value may have declined. Useful lives are examined every year and adjustments are made, where applicable, on a prospective basis. Amortisation of intangible assets is charged in the income statement.

h) Property, plant and equipment

Land and buildings acquired are initially measured at their fair value at the date of acquisition and subsequently depreciated over their remaining useful lives. Other items of property, plant and equipment are shown at cost, net of depreciation and any provision for impairment.

Subsequent costs, including replacement parts, upgrades and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replaced parts are derecognised. All other costs of repairs and maintenance are charged to profit or loss as incurred.

Depreciation is charged on all property, plant and equipment, with the exception of freehold land, at varying rates calculated to write off the cost or fair value of assets in equal annual instalments over their estimated useful lives. The principal rates employed are:

Freehold buildings	–	over 20 years
Leasehold property	–	over the life of the lease
IDS instruments	–	over seven years
Fixtures, fittings and equipment	–	over three – ten years
Motor vehicles	–	over four years

1. Accounting policies continued

h) Property, plant and equipment continued

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss. The gain or loss arising from the sale is included in administrative expenses in the income statement.

i) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. Assets not yet available for use are tested annually for impairment. A reversal of an impairment loss is recognised in profit or loss immediately.

j) Lease commitments

Adoption of IFRS 16

For the year ending 31 March 2020, the Group has applied IFRS 16 'Leases' for the first time.

The Group has adopted IFRS 16 using the modified retrospective approach from 1 April 2019 and has therefore not restated comparatives for the FY2019 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 £1,524,000
- Current lease liabilities – increased by £379,000
- Non-current lease liabilities – increased by £1,145,000
- The net impact on retained earnings on 1 April 2019 was £nil.

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.

1. Accounting policies continued

j) Lease commitments continued

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; and
- Variable lease payments that are based on an index or a rate.

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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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 FY2020 was the following:

- Depreciation charge – increased by £601,000
- Finance costs – increased by £63,000
- Lease rental expense – decreased by £604,000

The Group leases various buildings, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 15 years but may have extension options.

A reconciliation of total operating lease commitments to the IFRS 16 lease liability at 1 April 2019 is as follows:

	£000
Operating lease commitments disclosed as at 31 March 2019	1,938
Discounted using the lessee's incremental borrowing rate at the date of adoption of IFRS 16	1,706
Add: finance lease liabilities recognised at 31 March 2019	1,174
(Less): short-term leases not recognised as a liability	(151)
(Less): low value leases not recognised as a liability	(31)
Lease liability recognised as at 1 April 2019	**2,698**
Of which are:	
Current lease liabilities	461
Non-current lease liabilities	2,237
	2,698

1. Accounting policies continued

j) Lease commitments continued

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As a lessor

Where the Group is a lessor of operating leases, the IDS analyser instrument is capitalised in property, plant and equipment and depreciated over the estimated useful life of the asset.

Revenue from the provision of the IDS analyser instrument and associated reagent sales is recognised according to the classification of the rental agreement as either a finance lease or an operating lease by reference to the determining factors set out in IFRS 16. The treatment of revenue generated in relation to these leases is in accordance with IFRS 15 and has been detailed within the revenue recognition accounting policy.

k) Inventories

Inventories are valued at the lower of cost and net realisable value, after making an allowance for obsolete and slow-moving items. Cost comprises direct material costs and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. For inventories that are ordinarily interchangeable, cost is calculated using the weighted average method. Net realisable value is based on estimated selling price less all estimated completion and selling costs to be incurred.

Work in progress is valued on the basis of direct costs plus attributable overheads based on a normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of the work in progress.

l) Retirement benefit costs

The Company and its trading subsidiary undertakings operate defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the Group. The annual contributions payable are charged as an expense as they fall due. Payments to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. An obligation to make statutory one-off payments to retiring employees of a subsidiary undertaking has been accounted for under IAS 19 Employee Benefits. The current service costs are taken to profit or loss and actuarial gains and losses are taken to other comprehensive income. There are no plan assets.

m) Financial instruments

Financial assets and financial liabilities are recognised when the Group has become a party to the contractual provisions of the instrument.

IFRS 9 introduced new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting. It replaces IAS 39 Financial Instruments: Recognition and Measurement. The impact for IDS is limited as IDS does not have any derivatives, guarantees or listed debt/loans.

Financial assets

Trade receivables

Trade receivables are included at the lower of invoiced value and recoverable amount. A provision for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Investments

Investments in subsidiary undertakings and associates are recorded at cost in the balance sheet. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

Other investments, which are not classified as trading investments, are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment.

1. Accounting policies continued

m) Financial instruments continued

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the financial transactions entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including initial transaction costs, are recognised in profit or loss over the term of the instrument using an effective rate of interest.

Trade payables

Trade payables are included at the gross liability, including any relevant value added tax.

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition, net of transaction costs.

Equity comprises the following:

- Share capital – representing the nominal value of equity shares.
- Share premium – representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Retained earnings – including all current and prior period results as disclosed in the income statement.
- Merger reserve – representing the share premium and capital redemption reserve in existence in the subsidiary at the date of merger.
- Currency translation reserve – representing the accumulated currency translation differences on the net investment in foreign subsidiaries.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to foreign currency and interest rate risk. The Group may use foreign exchange forward contracts and interest rate swap contracts to hedge those exposures. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments that are not designated as hedging instruments are valued at fair value through profit or loss.

Cash flow hedges

Hedges of exposures to variable cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss are accounted for as cash flow hedges when the hedging criteria have been achieved.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item affects profit or loss.

Hedge of a net investment in foreign operations

Where the Group has a loan to finance an acquisition it may be designated as a hedging instrument to hedge the exposure to foreign currency risk inherent in the investment. The hedge is accounted for similarly to a cash flow hedge.

Hedge accounting is discontinued when the hedging instrument expires, is terminated, is exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in other comprehensive income until the hedged item affects profit or loss.

n) Government grants

Government grants in respect of capital expenditure are treated as deferred income and are released to profit or loss over the estimated useful life of the assets to which they relate on a straight-line basis. Revenue grants are recognised over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Government grants, which may become repayable contingent on the occurrence of a future event, are recognised as a liability at the time they become repayable, any surplus of the liability recognised over the unamortised deferred income in respect of the grant being recognised immediately in profit or loss.

1. Accounting policies continued

o) Provisions

Provisions for liabilities are recognised where the Group has present commitment obligations at the balance sheet date arising from a past event and where the extent of the commitment can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligations.

p) Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value is measured by the use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments. Changes in fair value are recognised in profit or loss.

All equity-settled share-based payments are ultimately recognised as an expense with a corresponding credit to reserves. Unexpired equity-settled awards are treated as forfeitures when an individual's employment is terminated, and the cost previously recognised in the income statement for these awards is credited back to the income statement.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

q) Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax is the tax currently payable based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets, including those arising from tax losses available for relief against profits of future periods, are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities.

r) Critical accounting estimates and areas of judgement in applying the Group's accounting policies

In preparing the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures.

1. Accounting policies continued

r) Critical accounting estimates and areas of judgement in applying the Group's accounting policies continued

In the process of applying the Group's accounting policies, the Directors consider the following judgements to be significant:

Research and development

Costs relating to assay and instrument development are capitalised once all the development phase recognition criteria of IAS 38 Intangible Assets are met, including the technical feasibility and commercial viability of the project. When the product is available for its intended use, these costs are amortised in equal annual instalments over the estimated useful life of the product. Management judgement is involved in determining the appropriate internal costs to capitalise and when the IAS 38 criteria have been met using a documented, consistent policy of Design Review meetings involving relevant technical, operational and financial staff. In addition, the useful life of 10 years is determined by management and is regularly reviewed for appropriateness. The net book value of development costs in relation to assay and instrument development as at 31 March 2020 is £10,611,000 (2019: £10,847,000).

Impairment

The Group assesses at each reporting date whether there is an indication that the value of an asset may be impaired. If any such indication of impairment exists the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of its fair value less costs to sell or its value in use. Value in use is calculated by discounting the estimated future cash flows to their present value using a pre-tax discount rate. Where the carrying value of the asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Due to the global COVID-19 pandemic, the annual impairment review as at 31 March 2020 was adjusted to take into account anticipated impact on revenues in FY2021, and possible cost savings. This did not indicate any impairment was necessary. Refer to the Strategic Report for further details.

IDS recognises impairment costs in two ways. If a project is abandoned during the development stage, the total accumulated expenditure previously capitalised is written off in the income statement as an impairment charge. If a previously capitalised project has been launched and has had a 'value in use' for the period since launch but the technology has subsequently been superseded by new development projects then these costs will be retired.

s) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Recoverability of deferred tax assets

The Group has gross unused tax losses. Some of these losses are recognised under IAS 12 as deferred tax assets. The Group makes judgements as to the likelihood of these losses being recoverable and changes in these assumptions could have a material impact on the Group's reported tax charge. The total carrying value in the balance sheet as at 31 March 2020 of deferred tax assets is £116,000 (2019: £70,000).

Tax provisions

The Group recognises certain provisions and accruals in respect of tax which involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. This approach resulted in providing £549,000 (2019: £611,000) in relation to changes to Group pricing arrangements over time and research and development claims.

The carrying amount is sensitive to the resolution of issues which is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can take many years to resolve and assumptions on the likely outcome have therefore been made by management.

The nature of the assumptions made by management when calculating the carrying amount relates to the estimated tax which could be payable as a result of decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain.

1. Accounting policies continued

s) Key sources of estimation uncertainty continued

Tax provisions continued

In making the estimates, management's judgement was based on various factors, including:

- The status of recent and current tax audits and enquiries;
- Changes to transfer pricing policies over time;
- The results of previous claims; and
- Any changes to the relevant tax environments.

When making this assessment, we utilise our specialist in-house tax knowledge and experience of similar situations elsewhere to confirm these provisions. These judgements also take into consideration specialist tax advice provided by third party advisors on specific items.

t) Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense that, because of the nature and expected frequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

u) Standards not yet effective

The Directors are currently considering the impact on the financial statements of the standards below that are issued but not yet effective.

- IFRS 3 – Business combinations – amendments to clarify the definition of a business;
- 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; and
- IFRS 9, IAS 39 and IFRS 7 Financial instruments – amendments to interest rate benchmark reform providing certain reliefs for hedge accounting.

2. Revenue

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

	2020 Recognised on delivery £000	2020 Recognised over time £000	2020 Total £000	2019 Recognised on delivery £000	2019 Recognised over time £000	2019 Total £000
25-OH Vitamin D	**4,822**	**–**	**4,822**	5,537	–	5,537
Other Speciality – IDS	**14,083**	**–**	**14,083**	13,737	–	13,737
Other Speciality – Partners	**2,282**	**–**	**2,282**	1,332	–	1,332
Instrument Sales and Service	**1,565**	**632**	**2,197**	1,605	424	2,029
Total Automated	**22,752**	**632**	**23,384**	22,211	424	22,635
Automated revenue comprises:						
Operating lease rental	**–**	**3,178**	**3,178**	–	3,226	3,226
Reagent revenue	**20,206**	**–**	**20,206**	19,409	–	19,409
25-OH Vitamin D	**969**	**–**	**969**	1,061	–	1,061
Other Speciality – IDS	**4,979**	**–**	**4,979**	5,179	–	5,179
Other Speciality – Purchased	**1,658**	**–**	**1,658**	2,058	–	2,058
Diametra	**3,770**	**–**	**3,770**	4,024	–	4,024
Total Manual	**11,376**	**–**	**11,376**	12,322	–	12,322
Technology	**3,771**	**816**	**4,587**	3,449	107	3,556
Total revenue	**37,899**	**1,448**	**39,347**	37,982	531	38,513

2. Revenue continued

Operating lease rental relates to contracts implicit in agreements for the placing of IDS analyser instruments with customers and the related sale of reagents and is estimated based on averages.

Contract assets

	2020 £000	2019 £000
Current contract assets relating to automated reagent sales	**317**	380

Contract liabilities

	2020 £000	2019 £000
Current contract liabilities relating to instrument sales	**209**	278

All contract liabilities are recognised in revenue in the following period.

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.

	2020 £000	2019 £000
UK (country of domicile)	**1,383**	2,082
US	**6,659**	7,204
Germany	**8,877**	8,937
France	**4,890**	4,421
Other	**17,538**	15,869
Total revenues	**39,347**	38,513

IDS reports profit from operations for the three segments shown below. This is monitored by the chief operating decision-maker quarterly.

3. Segmental information continued

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

	Automated 31 March 2020 £000	Manual 31 March 2020 £000	Technology 31 March 2020 £000	Total 31 March 2020 £000
Revenue	**23,384**	**11,376**	**4,587**	**39,347**
Cost of Sales	**(12,312)**	**(6,804)**	**(2,855)**	**(21,971)**
Gross profit	**11,072**	**4,572**	**1,732**	**17,376**
Sales and marketing	**(6,821)**	**(1,630)**	**(439)**	**(8,890)**
Research and development	**(1,758)**	**26**	**(194)**	**(1,926)**
General and administrative expenses	**(3,220)**	**(1,476)**	**(536)**	**(5,232)**
Operating costs pre-exceptional items	**(11,799)**	**(3,080)**	**(1,169)**	**(16,048)**
Adjusted EBIT	**(727)**	**1,492**	**563**	**1,328**
Exceptional items				
Restructuring costs				**–**
Total exceptional items				**–**
EBIT				**1,328**
Finance income				
Finance income pre exceptional items				**891**
Exceptional finance income				**1,226**
Total finance income				**2,117**
Finance costs				**(191)**
Profit before tax				**3,254**
Adjusted EBIT	**(727)**	**1,492**	**563**	**1,328**
Add: depreciation and amortisation	4,116	485	121	4,722
Adjusted EBITDA	**3,389**	**1,977**	**684**	**6,050**

	Automated 31 March 2019 £000	Manual 31 March 2019 £000	Technology 31 March 2019 £000	Total 31 March 2019 £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 and amortisation	4,044	388	25	4,457
Adjusted EBITDA	**1,898**	**2,755**	**144**	**4,797**

4. Profit from operations

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

	2020 £000	2019 £000
Restructuring (credit)	–	(89)
Total exceptional items	–	(89)
Amortisation of other intangible assets	**2,255**	2,270
Loss on disposal of owned plant, property and equipment	**3**	36
Depreciation of owned plant, property and equipment	**1,735**	2,053
Depreciation on right-of-use assets	**733**	134
Operating lease costs	**157**	746
Share-based payments	**15**	24
Other staff costs	**15,671**	15,606
Cost of inventories recognised as an expense	**7,867**	7,637
Write downs of inventories recognised as an expense	**335**	799
Auditor's remuneration (see below)	**184**	178

Amounts payable to PricewaterhouseCoopers LLP (2019: PricewaterhouseCoopers LLP, £143,000 & Ernst & Young LLP £35,000) and their associates in respect of both audit and non-audit services:

	2020 £000	2019 £000
Audit services PricewaterhouseCoopers LLP		
– statutory audit of Parent and consolidated financial statements	**67**	61
– statutory audit of subsidiary financial statements	**114**	82
Audit services Ernst & Young LLP		
– statutory audit of subsidiary financial statements	**–**	35
Non-audit services PricewaterhouseCoopers LLP		
Taxation services	**3**	–
	184	178

In FY2020, there were no exceptional operating items. Exceptional finance income in FY2020 is detailed in Note 7.

In FY2019, the exceptional credit was due to a £0.1m reversal of restructuring provisions relating to our French and Italian operations which were no longer required.

5. Particulars of employees

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

	2020 No.	2019 No.
Production staff	**130**	129
Sales and marketing staff	**74**	77
Research and development staff	**41**	40
Administrative staff	**36**	35
	281	281

The aggregate payroll cost of the above were:

	2020 £000	2019 £000
Wages and salaries	**12,542**	12,538
Social security costs	**2,657**	2,617
Other pension costs	**472**	495
Share-based payments	**15**	24
Restructuring credit	**–**	(44)
	15,686	15,630

5. Particulars of employees continued

For the year ended 31 March 2020, of staff costs, £2,886,000 (2019: £2,832,000) has been included in cost of sales, £5,821,000 (2019: £5,791,000) in sales and marketing costs, £1,946,000 (2019: £2,166,000) in research and development costs, £5,033,000, (2019: £4,885,000) in general and administrative expenses, and £nil (2019: credit of £44,000) in Exceptional Items – Restructuring costs.

6. Directors' emoluments

	2020 £000	2019 £000
Emoluments receivable	**618**	552
Value of Company pension contributions to money purchase schemes	**36**	49
	654	601

	2020 No.	2019 No.
Number of Directors accruing benefits under money purchase schemes	**2**	2

Details of individual Director's emoluments and the highest paid Director are shown in the Directors' Remuneration Report on page 50.

7. Finance income

	2020 £000	2019 £000
Finance income pre exceptional items:		
Bank interest receivable	**173**	162
Net foreign exchange gains	**718**	333
	891	495
Exceptional finance income:		
Foreign exchange gains from liquidation of subsidiary	**1,226**	–
	2,117	495

The exceptional finance income of £1,226,000 (2019: £nil) relates to the liquidation of Immunodiagnostic Systems Nordic A/S.

8. Finance costs

	2020 £000	2019 £000
Interest payable on bank borrowing	**24**	17
Interest and finance charges paid/payable for lease liabilities	**126**	55
Unwinding of discount	**41**	10
	191	82

9. Taxation on ordinary activities

a) Analysis of credit in the year

	2020 £000	2019 £000
Current tax:		
UK Corporation tax	**(334)**	(480)
Adjustment in respect of prior periods	**(78)**	(96)
Foreign tax charge on income	**319**	413
Total current tax credit	**(93)**	(163)
Deferred tax:		
Excess of taxation allowances over depreciation on fixed assets	**(8)**	(58)
Other	**(5)**	1
Tax losses utilised	**(1)**	(76)
Adjustment in respect of prior periods	**13**	342
Total deferred tax charge (Note 22)	**(1)**	209
Tax (credit)/charge on profit on ordinary activities	**(94)**	46

In addition, total current and deferred tax of £5,000 (2019: £nil) was debited to equity.

'Other' in the current and prior year relates to the reversal of short-term timing differences.

b) Factors affecting tax charge

The tax assessed for the period is lower (2019: lower) than the standard rate of corporation tax in the UK, 19% (2019: 19%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The standard rate of UK corporation tax will no longer reduce to 17% from 1 April 2020. These proposed changes, which were substantively enacted when the Finance Bill 2016 received Royal Assent on 15 September 2016, were changed on 17 March 2020 when the Government utilised the Provisional Collection of Taxes Act 1968 to maintain the main UK corporation tax rate at 19%. UK deferred tax liabilities which were recognised at 17% at the prior year balance sheet date have been recognised at 19% at 31 March 2020.

There were no significant tax reforms impacting the Group in the current year.

The (credit)/charge for the year can be reconciled to the profit per the income statement as follows:

	2020 £000	2019 £000
Profit on ordinary activities before taxation	**3,254**	842
Profit on ordinary activities by rate of tax in the UK of 19% (2019: 19%)	**618**	160
Expenses not deductible for tax purposes	**81**	44
Income not taxable	**(3)**	(39)
Additional relief for research and development expenditure	**(642)**	(774)
Foreign profits taxable at different rates	**225**	113
Losses carried forward	**511**	485
Losses brought forward utilised	**(876)**	(176)
Effect of change in tax rate on deferred tax balances	**57**	(13)
Adjustment in respect of prior periods	**(65)**	246
Total tax (credit)/charge at an effective rate of -2.9% (2019: 5.5%)	**(94)**	46

10. Dividends

On 16 August 2019, a dividend of 0.7p (2019: 1.7p) per share was paid to shareholders, amounting to £201,000 (2019: £500,000). In respect of the current year, the Directors propose that a dividend of 1.9p per share will be paid to shareholders on 14 August 2020. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed dividend for 2020 is payable to all shareholders on the Register of Members on 17 July 2020. The total estimated dividend is £547,000.

11. Earnings per Ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to holders of Ordinary shares by the weighted average number of Ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Group has dilutive potential Ordinary shares relating to contingently issuable shares under the Group's share option scheme. At 31 March 2020, the performance criteria for the vesting of certain 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.

	2020 £000	2019 £000
Profit on ordinary activities after tax	**3,348**	796
Weighted average number of shares:	**No.**	No.
For basic earnings per share	**28,784,097**	29,034,539
Effect of dilutive potential Ordinary shares:		
– Share options	**24,608**	16,806
For diluted earnings per share	**28,808,705**	29,051,345
Basic earnings per share	**11.6p**	2.7p
Diluted earnings per share	**11.6p**	2.7p

	2020 £000	2019 £000
Profit on ordinary activities after tax as reported	**3,348**	796
Exceptional items after tax	**(1,226)**	(89)
Profit on ordinary activities after tax as adjusted	**2,122**	707
Adjusted basic earnings per share	**7.4p**	2.4p
Adjusted diluted earnings per share	**7.4p**	2.4p

12. Financial instruments recognised in the balance sheet

	Loans and receivables 2020	Loans and receivables 2019
Non-current financial assets		
Financial asset investments	**289**	283
Current financial assets		
Trade and other receivables	**10,031**	8,358
Cash and cash equivalents	**27,584**	27,713
	37,615	36,071
Total	**37,904**	36,354

	Other financial liabilities 2020 £000	Other financial liabilities 2019 £000
Current financial liabilities		
Trade and other payables	**8,457**	5,882
Lease liabilities	**833**	82
	9,290	5,964
Non-current financial liabilities		
Lease liabilities	**2,724**	1,092
	2,724	1,092
Total	**12,014**	7,056

13. Property, plant and equipment

	Property £000	Fixtures, fittings & equipment £000	IDS analyser instrument £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2018	4,524	11,572	9,239	–	25,335
Exchange differences	(76)	(187)	42	–	(221)
Additions	–	862	1,260	–	2,122
Disposals	(2)	(117)	(1,596)	–	(1,715)
At 31 March 2019	4,446	12,130	8,945	–	25,521
Exchange differences	141	210	347	10	708
Right of use assets recognised on adoption of IFRS 16	1,131	14	–	379	1,524
Additions	1,144	1,155	1,338	405	4,042
Disposals	(24)	(36)	(1,101)	(15)	(1,176)
At 31 March 2020	**6,838**	**13,473**	**9,529**	**779**	**30,619**
Depreciation					
At 1 April 2018	2,365	8,666	6,837	–	17,868
Exchange differences	(39)	(145)	61	–	(123)
Charge for the year	87	1,303	797	–	2,187
Reclassification	420	(420)	–	–	–
On disposals	(2)	(78)	(1,183)	–	(1,263)
At 31 March 2019	2,831	9,326	6,512	–	18,669
Exchange differences	76	165	338	–	579
Charge for the year	486	1,121	550	311	2,468
Reclassification	–	(25)	25	–	–
On disposals	(24)	(32)	(832)	(15)	(903)
At 31 March 2020	**3,369**	**10,555**	**6,593**	**296**	**20,813**
Net book value					
At 31 March 2020	**3,469**	**2,918**	**2,936**	**483**	**9,806**
At 31 March 2019	1,615	2,804	2,433	–	6,852
At 1 April 2018	2,159	2,906	2,402	–	7,467

	2020 £000	01/04/2019* £000
Right-of-use assets		
Property	**2,852**	2,216
Motor vehicles	**482**	379
Fixtures, fittings and equipment	**11**	14
	3,345	2,609
Lease liabilities		
Current	**833**	461
Non-current	**2,724**	2,237
	3,557	2,698

* In the previous year, the Group only recognised lease assets and liabilities in relation to leases that were classified as 'finance leases' under IAS 17 *Leases*. The assets were presented in property, plant and equipment and the liabilities were part of the Group's borrowings.

Additions to right-of-use assets during FY2020 were £977,000 Property, £28,000 Fixtures, fittings and equipment, and £398,000 Motor vehicles.

13. Property, plant and equipment continued

Amounts recognised in the Consolidated Income Statement

	2020 £000	2019 £000
Depreciation charge of right-of-use assets		
Property	**395**	134
Motor vehicles	**307**	–
Fixtures, fittings and equipment	**31**	–
	733	134
Interest expense (included in finance costs)	**126**	55

Depreciation charged in the prior year related to leases classified as finance leases under IAS 17.

The total cash outflow in respect of lease payments in the year ended 31 March 2020 was £546,000.

14. Other intangible assets

	Development costs £000	Patents, product technology and ERP £000	Brand and customer relationships £000	Total £000
Cost				
At 1 April 2018	36,459	29,996	462	66,917
Exchange differences	(402)	(496)	–	(898)
Additions – externally acquired	–	105	–	105
Additions – internally generated	2,387	–	–	2,387
Disposals	–	(3)	–	(3)
At 31 March 2019	38,444	29,602	462	68,508
Exchange differences	461	631	–	1,092
Additions – externally acquired	–	327	–	327
Additions – internally generated	1,867	–	–	1,867
At 31 March 2020	**40,772**	**30,560**	**462**	**71,794**
Amortisation				
At 1 April 2018	25,697	29,765	462	55,924
Exchange differences	(373)	(487)	–	(860)
Charge for the year	2,273	(3)	–	2,270
Disposals	–	(3)	–	(3)
At 31 March 2019	27,597	29,272	462	57,331
Exchange differences	414	632	–	1,046
Charge for the year	2,150	105	–	2,255
At 31 March 2020	**30,161**	**30,009**	**462**	**60,632**
Net book value				
At 31 March 2020	**10,611**	**551**	**–**	**11,162**
At 31 March 2019	10,847	330	–	11,177
At 1 April 2018	10,762	231	–	10,993

The amortisation charge is included within cost of sales £2,170,000 (2019: £2,246,000), general and administrative expenses £85,000 (2019: £24,000), and research and development costs £nil (2019: £nil).

14. Other intangible assets continued

The annual impairment review was performed by management at 31 March 2020, to assess the recoverable amount of each of the of the three CGU's (Automated, Manual, and Technology). The recoverable amount of a CGU is based on value-in-use calculations. These calculations use post-tax cash flow projection to perpetuity. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs, overheads and capital expenditure:

- Management estimates discount rates using pre-tax rates that reflect current market assessments and the time value of money.
- Growth rates are based on management's five-year estimates compiled on a product category and geographical basis.
- Changes in direct costs and overheads are based on past practices and expectations of salary inflation.
- Capital expenditure is based on current run rates adjusted for anticipated capital projects and direct machine placements.

An annual growth rate typically between 1% and 12% is assumed for the first five years depending on past performance of the CGU, after which a growth rate of 2% is assumed to perpetuity. A risk adjusted pre-tax discount rate reflecting the Group's Weighted Average Cost of Capital ('WACC') of 11.3% (2019: 10%) is applied.

Sensitivity analysis has been performed on the impairment test based on a potential scenario where the projected growth is reduced from the Board approved budget growth rates. This review did not indicate the need for any impairment.

A further sensitivity was performed taking into account the impact of the COVID-19 pandemic on FY2021 revenue and potential cost savings. This did not indicate the need for any impairment.

A separate specific impairment review was carried out to assess the value in use of the capitalised development costs. This review used the same assumptions for revenue growth and discount rate as the overall impairment review referred to above, but compares the carrying value of development costs for each panel of assays.

15. Subsidiary undertakings

The subsidiaries of Immunodiagnostic System Holdings PLC are as follows:

	Nature of business	Ownership		
		Class of shares held	**2020**	2019
Direct Investments				
Immunodiagnostic Systems Limited 10 Didcot Way Boldon Business Park Boldon Tyne & Wear NE35 9PD UK	Manufacture, development and sale of immunoassays and sale of immunoanalysers	Ordinary	**100%**	100%
Immunodiagnostic Systems Nordic A/S International House Center Boulevard 5 2300 Copenhagen S Denmark	Liquidated during the year ended 31 March 2020	Ordinary	**–**	100%
Immunodiagnostic Systems SA Rue Ernest Solway 101 4000 Liege Belgium	Manufacture, development and sale of immunoassays	Ordinary	**100%**	100%
Immunodiagnostic Systems France SAS 42 Rue Stephane Mazeau 21320 Pouilly-en-Auxois France	Manufacture, development and sale of immunoassays and manufacture, development and sale of immunoanalysers	Ordinary	**100%**	100%
MGP Diagnostics AS Anemoneneveien 2 3050 Mjondalen Norway	Liquidated during the year ended 31 March 2020	Ordinary	**–**	100%

15. Subsidiary undertakings continued

	Nature of business	Ownership: Class of shares held	Ownership: 2020	Ownership: 2019
Indirect Investments				
Immunodiagnostic Systems Deutschland GmbH Herriotstrasse 1, 60528 Frankfurt am Main Germany	Sale of immunoassays and immunoanalysers	Ordinary	**100%**	100%
Immunodiagnostic Systems Inc 948 Clopper Road Gaithersburg, MD 20878 USA	Sale of immunoassays and immunoanalysers	Ordinary	**100%**	100%
Suomen Bioanalytiikka Oy (SBA Sciences Ltd) Forandi Oy Riihiraitti 5 90240 Oulu Finland	Dormant	Ordinary	**100%**	100%
IDS Brasil Diagnosticos Ltda Rua dos Pinheiros, No. 610, 4 andar conjunto 41, Pinheiros, 05422-001 São Paulo Brazil	Sale of immunoassays and immunoanalysers	Ordinary	**100%**	100%
Dia.Metra S.r.l. Via Pozzuolo 14 06038 Spello Italy	Manufacture, development and sale of immunoassays	Ordinary	**100%**	100%

16. Other non-current assets

Other loans and receivables	2020 £000	2019 £000
At 1 April	**283**	351
Additions	**13**	13
Repaid	**(15)**	(75)
Exchange differences	**8**	(6)
At 1 April and 31 March	**289**	283

17. Inventories

	2020 £000	2019 £000
Raw materials	**4,307**	3,362
Work in progress	**2,074**	1,447
Finished goods	**4,359**	3,010
	10,740	7,819

Inventories are stated after charging net provisions of £1,293,000 (2019: £1,319,000) for impairment of inventories.

Included within inventories are spare parts of £1,900,000 (2019: £1,367,000) net of provisions.

18. Trade and other receivables

Other financial assets are made up of trade and other receivables and cash and cash equivalents.

Trade and other receivables are as follows:

	2020 £000	2019 £000
Trade receivables	**10,267**	8,426
VAT recoverable	**353**	156
Other receivables	**88**	123
Prepayments	**769**	444
	11,477	9,149
Allowance accounts for trade receivables	**(324)**	(191)
	11,153	8,958

The average credit period taken on sale of goods is 58 days (2019: 53 days). An allowance has been made for estimated irrecoverable amounts from sale of goods of £324,000 (2019: £191,000). This allowance has been based on the knowledge of the financial circumstances of individual receivables at the balance sheet date. Credit terms are negotiated individually for major customers.

There are no other significant credit risks arising from financial assets that are neither past due nor impaired.

The movements on the allowance account were as follows:

	2020 £000	2019 £000
Balance at 1 April	**191**	165
Movement in allowance for trade receivables	**185**	111
Amounts received previously provided:		
Trade receivables	**(31)**	–
Amounts written off which were previously provided	**(21)**	(85)
Balance at 31 March	**324**	191

The following table provides analysis of trade receivables that were overdue at 31 March, but not impaired. The Directors believe that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

IFRS 9 Financial Instruments was adopted in the previous financial year. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics, geographical basis, and the days past due. The contract assets relate to unbilled reagent revenue and have substantially the same risk characteristics as the trade receivables for the same type of customer. The Group has therefore concluded that the expected loss rate for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on historic specific write-offs of trade receivables and applied to outstanding balances in specific higher risk geographical locations, and aged receivables outstanding over three months. On this basis, the loss allowance as at 31 March 2020 and 1 April 2019 (on adoption of IFRS 9) was determined to be immaterial, therefore no loss allowance in excess of the specific allowance for trade receivables was recognised.

18. Trade and other receivables continued

The restatement on transition to IFRS 9 as a result of applying the expected credit risk model was immaterial.

	2020 £000	2019 £000
Up to three months overdue	**1,748**	1,539
Over three months overdue	**797**	370
	2,545	1,909

An analysis of receivables by currency is as follows:

	2020 £000	2019 £000
Pound Sterling	**754**	805
Euros	**8,383**	6,407
US Dollars	**1,858**	1,416
Danish Kroner	**21**	127
Other	**137**	203
	11,153	8,958

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Cash and cash equivalents of £27,584,000 (2019: £27,713,000) comprise cash and short-term deposits controlled by the Group treasury function. The carrying amount of these assets approximates to their fair value.

19. Lease liabilities

	2020 Current £000	2020 Non-current £000	2019 Current £000	2019 Non-current £000
Obligations under finance lease	**833**	**2,724**	82	1,092

Amounts payable in relation to leases recognised in accordance with IFRS 16 are as follows:

	2020 £000	2019 £000
Within one year	**833**	82
In the second to fifth year inclusive	**1,611**	346
After more than five years	**1,113**	746
	3,557	1,174

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to Note 1.

All contracts are at fixed rates, are on a fixed repayment basis and are denominated in Pound Sterling, Euros, or US Dollars. The average interest rate is approximately 5%.

Amounts payable in relation to leases recognised in accordance with IFRS 16 are secured over the assets financed.

The Directors estimate that the fair value of the Group's obligations in relation to leases recognised in accordance with IFRS 16 are not significantly different to the carrying value.

20. Trade and other payables

Trade and other payables are as follows:

	2020 £000	2019 £000
Trade payables	**4,401**	2,397
Other taxation and social security	**1,037**	629
Other payables	**68**	39
Accruals	**3,988**	3,446
	9,494	6,511

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 43 days (2019: 32 days).

An analysis of payables by currency is as follows:

	2020 £000	2019 £000
Pound Sterling	**2,074**	1,404
Euros	**5,161**	3,171
US Dollars	**778**	599
Brazilian Real	**2**	46
Danish Kroner	**1,451**	1,291
Other	**28**	–
	9,494	6,511

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

21. Employee benefit obligations

The Company and its trading subsidiary undertakings operate defined contribution schemes. The assets of the schemes are held separately from those of the companies in independently administered funds. The pension cost charge represents contributions payable by the companies to the funds and amounted to £472,000 (2019: £495,000).

The subsidiary undertaking Immunodiagnostic Systems France SAS is party to a collective agreement under which employees leaving the Company to enter retirement are entitled to a payment equivalent to 12–14% of a month's salary for each year of service with the Company. No payment is made to employees leaving the Company's employment for other reasons. The present value of the potential liability to current employees as at 31 March 2020 is £316,000 (2019: £301,000).

The subsidiary undertaking Immunodiagnostic Systems SA operates a defined contribution scheme which due to changes in Belgian legislation in 2016, meets the defined benefit scheme under IAS19 and therefore requires an actuarial valuation of the scheme's assets and liabilities. The present net value of the potential liability to current and retired employees as at 31 March 2020 is £44,000 (2019: £62,000).

21. Employee benefit obligations continued

	Present value of obligation £000	Fair value of plan assets £000	Net amount £000
1 April 2018	616	(258)	358
Current service cost	80	–	80
Total amount recognised in profit or loss	80	–	80
Remeasurements			
Experience (gains)/losses	60	(77)	(17)
Total amount recognised in OCI	60	(77)	(17)
Exchange differences	(14)	5	(9)
Employer contributions/premiums paid	(49)	–	(49)
31 March 2019	693	(330)	363

	Present value of obligation £000	Fair value of plan assets £000	Net amount £000
1 April 2019	693	(330)	363
Current service cost	31	–	31
Interest	–	(1)	(1)
Total amount recognised in profit or loss	31	(1)	30
Remeasurements			
Experience (gains)/losses	(1)	4	3
Total amount recognised in OCI	(1)	4	3
Exchange differences	20	(3)	17
Employer contributions/premiums paid	–	(53)	(53)
31 March 2020	743	(383)	360

Significant estimates

	2020		2019	
	France	**Belgium**	France	Belgium
Discount rate	0.84%	0.95%	1.32%	1.75%
Inflation rate	2.0%	1.8%	2.0%	1.8%
Salary increase rate	2.0%	2.3%	2.0%	2.3%
Mortality rate	n/a	MR/FR w/age correction of 5 years	n/a	MR/FR w/age correction of 5 years
Retirement age (years)	64/62	65	64/62	65
Withdrawal/leaving rate	20.0%	6.8%	6.9%	0%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Change in assumptions		Impact on defined benefit obligations					
				Increase in assumption			Decrease in assumption	
	2020	2019		**2020**	2019		**2020**	2019
Discount rate	**0.5%**	0.5%	Decrease by	**5.2%**	7.1%	Increase by	**7.7%**	8.4%

The above sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The French scheme is unfunded.

The plan assets of the Belgian scheme of £383,000 (2019: £330,000) relate to insurance policies. Funding levels are expected to remain consistent with funding in the year ending 31 March 2020, a fixed contribution of 1.5% of pensionable salary.

22. Deferred taxation

	2020 £000	2019 £000
The movement in the deferred taxation provision during the year was:		
Provision brought forward	**926**	719
Exchange differences	**–**	12
Income statement movement arising during the year (Note 9)	**(1)**	209
Deferred tax recognised charged directly to equity	**5**	(14)
Provision carried forward	**930**	926

The provision is split as follows in the balance sheet:

	2020 £000	2019 £000
Deferred tax assets	**(116)**	(70)
Deferred tax liabilities	**1,046**	996
	930	926

The elements of deferred taxation are as follows:		
Excess of taxation allowances over depreciation on fixed assets	**1,110**	1,902
Other temporary differences	**(180)**	(178)
Tax losses carried forward	**–**	(798)
	930	926

Deferred tax assets have not been recognised in respect of certain tax losses and temporary differences as there is insufficient evidence of recoverability in the near future. The Group has tax losses which arose in various countries of £22,277,000 (2019: £17,108,000) that are available indefinitely and other temporary differences of £996,000 (2019: £875,000) against future taxable profits of the companies in which the losses arose for which no deferred tax had been provided.

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised is £19,972,000 (2019: £58,244,000).

23. Provisions

	Leavers provision £000	Warranty provision £000	Dilapidation provision £000	Onerous lease provision £000	Restructuring provision £000	Total restated £000
At 1 April 2018	271	7	479	89	147	993
Foreign exchange gain	(6)	–	–	(2)	(3)	(11)
Unwind of discount	–	–	10	–	–	10
Reassessment in period	92	39	–	–	–	131
At 31 March 2019	357	46	489	–	–	892
Foreign exchange gain	10	1	–	–	–	11
Unwind of discount	–	–	42	–	–	42
Reassessment in period	71	29	–	–	–	100
At 31 March 2020	**438**	**76**	**531**	**–**	**–**	**1,045**
At 31 March 2020						
Included in current liabilities	–	76	–	–	–	76
Included in non-current liabilities	438	–	531	–	–	969
	438	**76**	**531**	**–**	**–**	**1,045**
At 31 March 2019						
Included in current liabilities	–	46	–	–	–	46
Included in non-current liabilities	357	–	489	–	–	846
	357	46	489	–	–	892

23. Provisions continued

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 31 March 2020 is £438,000 (2019: £357,000).

The warranty provision relates to warranties given for the first year of operation of IDS analyser instruments. 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 placement of the instrument.

The dilapidations provision relates to one leased building in Boldon, UK. The discounted expected future cash flows to restore the building amounted to £531,000 (2019: £489,000) at the balance sheet date.

The onerous lease provision in the prior year 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 expected future lease payments to be paid up to 31 July 2019 amounted to £89,000 at the prior balance sheet date. All amounts were settled in the prior financial year.

The restructure provision in the prior year related to unpaid settlements from the restructure of the IDS France business actioned in the previous financial year, which have now been settled.

24. Government grants

	2020 £000	2019 £000
At 1 April	**33**	97
Received in the year	**–**	–
Amortisation	**(13)**	(63)
Exchange differences	**2**	(1)
At 31 March	**22**	33

25. Commitments under operating leases

At 31 March 2020 the Group had commitments under non-cancellable operating leases as set out below. The large movement is due to the transition to IFRS 16 discussed within Note 1 Accounting Policies. All leases with the exception of short term (less than one year) and those with small value are accounted for as finance leases. See Note 19 for further details on finance leases.

	2020		2019	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Amounts payable:				
Within one year	**11**	**25**	279	318
Within two to five years	**–**	**17**	520	258
Over five years	**–**	**–**	563	–
	11	**42**	1,362	576

26. Related party transactions

Trading transactions

The Company recognised £30,000 (2019: £30,000) to Magellan bioConsult UG for the Director's fees of Dr K P Kaspar. Dr K P Kaspar is a Director and shareholder of Magellan bioConsult UG.

The Company also recognised £60,000 (2019: £67,500) to Forum European Smallcaps GmbH ('FES'), a shareholder, for the Director's fees of Dr B Wittek (£60,000; 2019: £60,000), who is also a Director of FES, and for the Director's fees of Mr T Campe (£nil; 2019: £7,500), who was an associate at Forum Group. The fees are set in accordance with the Company's remuneration policies.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out in the audited part of the Directors' Remuneration Report. The total employers' national insurance contributions paid on behalf of Directors was £44,000 (2019: £42,000) and the income statement charge in respect of share-based payments to Directors was £14,000 (2019: £24,000).

Dividends were paid to related parties as follows:

	2020 £	2019 £
Final dividend (2020: 0.7p per share, 2019: 1.7p per share)		
Forum European Smallcaps GmbH	**55,801**	135,516
Mr P J Martin	**135**	291
Mr P J Williamson	**280**	510
Dr K P Kaspar	**127**	257
Mr J Stuut	**35**	43
	56,378	136,617

During the year no Directors exercised share options.

27. Share capital

During the year, no shares were issued upon exercise of share options.

	2020 £000	2019 £000
Equity shares		
Authorised:		
75,000,000 (2019: 75,000,000) Ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2020			2019		
	Shares in issue £000	Own shares held £000	Total £000	Shares in issue £000	Own shares held £000	Total £000
Allotted, called up and fully paid:						
Ordinary shares of £0.02 each						
29,450,175 Ordinary shares (2019: 29,450,175 at 1 April)	**576**	**13**	**589**	588	1	589
Purchase of nil (2019: 612,297) own shares	**–**	**–**	**–**	(12)	12	–
29,450,175 (2019: 29,450,175) Ordinary shares at 31 March	**576**	**13**	**589**	576	13	589

28. Share premium

	2020 £000	2019 £000
At 31 March	**32,345**	32,345

29. Other reserves

	2020 £000	2019 £000
Merger reserve	**583**	583
Currency translation reserve		
Balance brought forward	**4,077**	4,582
Foreign exchange translation differences on foreign currency net investment in subsidiaries	**(137)**	(505)
Foreign exchange gains from liquidation of subsidiary	**(1,226)**	–
At 31 March	**2,714**	4,077
	3,297	4,660

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

The currency translation reserve relates to exchange differences arising from restating the Group's net investment in its overseas subsidiary undertakings using the closing rate method.

30. Reconciliation of profit before tax to net cash generated from operations

	2020 £000	2019 £000
Profit before tax	**3,254**	842
Adjustments for:		
Depreciation of property, plant and equipment	**2,468**	2,187
Amortisation of intangible assets	**2,255**	2,270
Loss on disposal of property, plant and equipment	**3**	36
Share-based payment charge	**15**	24
Finance income	**(2,117)**	(495)
Finance costs	**191**	82
Other exceptional items	**–**	(89)
Operating cash flows before movements in working capital	**6,069**	4,857
(Increase)/decrease in inventories	**(2,484)**	1,012
Increase in receivables	**(1,933)**	(959)
Increase in payables and provisions and deferred income	**3,103**	179
Cash generated by operations	**4,755**	5,089

31. Capital commitments

Amounts contracted for but not provided in the financial statements is £5,000 (2019: £288,000).

32. Share-based payments

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

	Month of grant	Exercise price	Period within which options are exercisable		Number of shares for which rights are exercisable	
			From	To	2019	**2020**
Share Option Agreements	Jun 09	236.5p	22.06.12	22.06.19	11,554	**–**
Unapproved Scheme	Nov 12	305.3p	30.11.15	30.11.22	70,750	**70,750**
	Apr 13	279.0p	03.04.16	03.04.23	2,509	**2,509**
Co-Investment Plan – Unapproved	Mar 17	132.0p	28.06.19	28.03.27	30,000	**30,000**
	Mar 18	220.0p	29.03.21	29.03.28	11,217	**11,217**
	Mar 18	290.0p	29.06.20	29.03.28	6,300	**6,300**
	Mar 19	184.0p	06.12.21	06.12.29	6,750	**6,750**
	Mar 19	190.0p	06.12.21	06.12.29	7,500	**7,500**
	Jun 19	180.0p	25.06.22	25.06.29	–	**30,000**
	Mar 20	210.0p	20.02.23	31.03.30	–	**7,500**
	Mar 20	220.0p	21.02.23	31.03.30	–	**9,000**
	Mar 20	170.0p	23.03.23	31.03.30	–	**9,000**
Company Share Option Plan ('CSOP') – Approved	Mar 17	277.5p	28.03.20	28.03.27	9,000	**9,000**
	Mar 18	220.0p	29.03.21	29.03.28	5,283	**5,283**
Total					160,863	**204,809**

The market price of the shares at 31 March 2020 was 205.0p and the range during the year was 160.0p to 290.0p.

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

Performance conditions in relation to the Co-Investment Plan are set out in the Directors' remuneration report on page 50.

Share-based payments

The number of share options in existence during the year was as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
At 1 April	**160,863**	**246.3p**	146,613	252.0p
Granted during the year	**55,500**	**188.9p**	14,250	187.2p
Expired during the year	**(11,554)**	**236.5p**	–	–
Outstanding at 31 March	**204,809**	**231.3p**	160,863	246.3p
Exercisable at 31 March	**112,259**	**256.2p**	84,813	295.1p

No share options were exercised during the year (2019: nil).

Options were valued using the Black-Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows:

	March 2020	June 2019	2019
Risk free interest rate	**0.86%**	0.96%	1.06%
Expected volatility	**39.7%**	35.6%	34.2%
Expected option life in years	**3 years**	3 years	3 years
Expected dividend yield	**0.8%**	0.3%	0.8%
Weighted average share price	**205.0p**	180.0p	170.0p
Weighted average exercise price	**199.4p**	180.0p	187.2p
Weighted average fair value of options granted	**56.8p**	44.4p	33.8p

32. Share-based payments continued

Share-based payments continued

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total fair value of options granted in the year was £27,825 (2019: £4,819).

The options outstanding at 31 March 2020 had exercise prices between 132.0p and 305.3p (2019: between 132.0p and 305.3p) and a weighted average remaining contractual life of 7.8 years (2019: 7.3 years).

During FY2020 the Group recognised total share-based charges of £14,802 (2019: £24,314) all of which related to equity-settled share-based payment transactions.

Of the share-based payment expense recognised in the year, £14,244 (2019: £23,757) related to the Directors of IDS.

33. Financial risk management

The Group's financial instruments comprise cash and short-term deposits. The Group has various other financial instruments, such as trade receivables and payables that arise directly from its operations, which have been excluded from the disclosures, other than the currency disclosures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

Interest rate risk

The Group has no financial assets, excluding short-term receivables, other than Pound Sterling cash deposits of £20,853,000 (2019: £21,260,000), Euro cash deposits of £4,756,000 (2019: £3,836,000), US Dollar cash deposits of £1,402,000 (2019: £1,754,000), Danish Kroner cash deposits of £307,000 (2019: £586,000), Brazilian Real cash deposits of £174,000 (2019: £200,000) and other currencies of £92,000 (2019: £76,000) that are part of the financing arrangements of the Group. The Group's policy on interest rate management is agreed at Board level and is reviewed on an ongoing basis.

Liquidity risk

The Group was cash positive in its operations for the year ended 31 March 2020. The Group expects to have positive cashflows for the foreseeable future. The Group maintains a balance between short-term deposits and cash to enable its ongoing requirements to be met. The Group's requirements are reviewed regularly by the Board, which will consider carefully liquidity risk for any future acquisitions.

33. Financial risk management continued

Foreign currency risk

The Group has subsidiary undertakings, which operate in the US, Brazil and continental Europe. Their revenues and expenses are denominated substantially in currencies other than Pound Sterling.

The following table demonstrates the sensitivity to a possible change in Pound Sterling against the US Dollar, Euro and Danish Kroner ('DKK') exchange rates with all other variables held constant:

	Changes in Sterling vs other currency rates	Effect on profit before tax	Effect on equity
2020			
US Dollar/Sterling	**+ 5%**	**(259)**	**179**
	- 5%	**259**	**(179)**
Euro/Sterling	**+ 5%**	**(195)**	**1,076**
	- 5%	**195**	**(1,076)**
DKK/Sterling	**+ 5%**	**463**	**16**
	- 5%	**(463)**	**(16)**
2019			
US Dollar/Pound Sterling	+ 5%	(240)	195
	- 5%	240	(195)
Euro/Pound Sterling	+ 5%	(173)	946
	- 5%	173	(946)
DKK/Pound Sterling	+ 5%	(43)	35
	- 5%	43	(35)

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

	2020 £000	2019 £000
In one year or less	**9,347**	6,029
In more than one year but not more than five years	**2,239**	543
In more than five years	**792**	902
	12,378	7,474

Fair values

There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements.

34. Contingent liabilities

The Group undertakes research and development activities often in collaboration with third parties who provide their expertise and from time to time their intellectual property in the form of know-how or patents. To facilitate this collaboration, IDS may enter into risk and reward contracts that require contractual payments to be made when certain performance milestones are achieved. These liabilities are not reported in the financial statements of the Group as the Directors consider the fulfilment of any condition that will give rise to these liabilities to be future events.

There are currently no such relevant contingent milestone payments existing.

35. Post balance sheet events

There are no material events after the balance sheet date which are required to be disclosed in the financial statements.

COMPANY BALANCE SHEET

31 March 2020

Company Registration
No. 05146193

	Notes	2020 £000	2019 £000
Non-current assets			
Fixed assets			
Property, plant and equipment	4	**477**	476
Intangible assets	5	**150**	231
Investments	6	**34,986**	51,587
		35,613	52,294
Current assets			
Debtors due within one year	7	**15,167**	3,483
Cash at bank and in hand		**22,350**	24,055
		37,517	27,538
Total assets		**73,130**	79,832
Current liabilities			
Creditors			
Amounts falling due within one year	8	**8,463**	45,658
Net current assets/(liabilities)		**29,054**	(18,120)
Non-current liabilities			
Deferred tax liabilities	9	**7**	6
Net assets		**64,660**	34,168
Capital and reserves			
Called up share capital	11	**589**	589
Share premium account	12	**32,345**	32,345
Profit and loss account		**31,726**	1,234
Shareholders' funds		**64,660**	34,168

The Company's profit for the year was £30,678,000 (2019: loss of £9,253,000).

The financial statements on pages 94 to 102 were approved by the Board of Directors and authorised for issue on 16 June 2020 and are signed on its behalf by:

Mr J Stuut
Chief Executive Officer

Mr P J Martin
Group Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Share capital £000	Share premium £000	Retained earnings £000	**Total £000**
At 1 April 2018	589	32,345	12,320	**45,254**
Loss for the year	–	–	(9,253)	**(9,253)**
Total comprehensive expense	–	–	(9,253)	**(9,253)**
Transactions with owners				
Share–based payments	–	–	24	**24**
Dividends paid	–	–	(500)	**(500)**
Purchase of own shares	–	–	(1,357)	**(1,357)**
At 31 March 2019	589	32,345	1,234	**34,168**
At 1 April 2019	589	32,345	1,234	**34,168**
Profit for the year	–	–	30,678	**30,678**
Total comprehensive income	–	–	30,678	**30,678**
Transactions with owners				
Share–based payments	–	–	15	**15**
Dividends paid	–	–	(201)	**(201)**
At 31 March 2020	**589**	**32,345**	**31,726**	**64,660**

1. Accounting policies

Authorisation of financial statements and statement of compliance with FRS 101

The Parent Company financial statements of Immunodiagnostic System Holdings PLC for the year ended 31 March 2020 were authorised for issue by the Board of Directors on 16 June 2020 and the balance sheet was signed on its behalf by Mr J Stuut and Mr P J Martin. Immunodiagnostic System Holdings PLC is a public limited company incorporated, domiciled and has its registered office in England in the UK. The Company's Ordinary shares are publicly traded on AIM and it is not under the control of any single shareholder. The registered number is 05146193 and the registered address is 10 Didcot Way, Boldon Business Park, Boldon, Tyne and Wear, NE35 9PD.

The principal accounting policies are set out in Note 1.

Basis of accounting

The financial statements are prepared on a going concern basis in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and in accordance with applicable accounting standards and the Companies Act 2006.

No income statement is presented by the Company as permitted by Section 408 of the Companies Act.

The presentation currency used is Pound Sterling and amounts have been presented in round thousands (£000).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2020.

In these financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- The requirements of paragraph 45(b) and 46-52 of IFRS 2. The disclosures required by these paragraphs can be found in Note 32 to the Group financial statements;
- The requirements of IFRS 7 Financial Instruments: Disclosures as they are available within the consolidated financial statements of Immunodiagnostic Systems Holdings PLC;
- The requirements in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  a) Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  b) Paragraph 118(e) of IAS 38 Intangible Assets; and
  c) Paragraph 79 (a) (iv) of IAS 1.
- The requirements of paragraphs 10(d), 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirement of paragraph 17 of IAS 24 Related Party Transactions;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is party to the transaction is a wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii) to (iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at their fair values. The measurement basis and principal accounting policies are unchanged from the previous year and are set out below.

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment.

Depreciation is charged at varying rates calculated to write off the cost in equal annual instalments over their estimated useful lives. The principal rates are:

Fixtures, fittings and equipment	three to ten years
IDS analyser instruments	over seven years

The gain or loss arising on disposal is the difference between the disposal proceeds and the carrying value of the asset and is recognised in the income statement.

Internally generated intangible assets

Internally generated intangible assets have arisen from the Group's development of a new enterprise resource planning ('ERP') system.

Expenditure on the research (feasibility) phase of a project is expensed as incurred.

1. Accounting policies continued

Intangible assets

Expenditure arising during the post-feasibility phase of a project, is recognised as an asset only if all of the following conditions are met:

- There is a clearly defined project;
- The related expenditure is separately identifiable;
- The project is technically feasible;
- The project is commercially viable;
- Future revenues will exceed the development cost; and
- Adequate resources exist to complete the project.

Where these criteria have not been achieved, the expenditure is expensed in the period in which it is incurred.

Internally generated intangible assets are amortised, once the product is available for use, on a straight-line basis over their useful lives. Costs incurred on the ERP system are amortised over five years from the time the relevant part of the system goes live.

Purchased intangible assets

Purchased intangible assets are measured initially at cost and amortised on a straight-line basis over the economic life embedded within the patent registration or licence agreement.

Investments

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

Financial instruments

Financial assets and financial liabilities are recognised when the Company has become a party to the contractual provisions of the instrument.

Financial assets

Trade receivables

Trade receivables are included at the lower of invoiced value and recoverable amount. A provision for impairment is made where there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Investments

Investments in subsidiary undertakings and associates are recorded at cost in the balance sheet. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

Other investments, which are not classified as trading investments, are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the financial transactions entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including initial transaction costs, are recognised in profit or loss over the term of the instrument using an effective rate of interest.

Trade payables

Trade payables are included at the gross liability, including any relevant value added tax.

1. Accounting policies continued
Financial instruments continued
Financial liabilities and equity continued
Equity instruments
Equity instruments issued by the Company are recorded at fair value on initial recognition, net of transaction costs.

Equity comprises the following:

- Share capital – representing the nominal value of equity shares.
- Share premium – representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Retained earnings – including all current and prior period results as disclosed in the income statement.

Pension costs
A subsidiary operates a defined contribution pension scheme of which employees of the Company are members. The assets of the scheme are held separately from those of the subsidiary. The annual contributions payable are charged to the income statement.

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

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

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into Pound Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Pound Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are considered in arriving at the operating profit. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency (e.g. property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are recognised in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are also recognised directly in other comprehensive income.

Share-based payments
The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vested period, based on the Group's estimate of shares that will eventually vest.

The fair value is measured by the use of the Black-Scholes option price model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments. Changes in fair value are recognised through the income statement.

All equity-settled share-based payments are ultimately recognised as an expense with a corresponding credit to reserves. Unexpired equity-settled awards are treated as forfeitures when an individual's employment is terminated, and the cost previously recognised in the income statement for these awards is credited back to the income statement.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received, net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

1. Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Taxation

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be fully determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The Company reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

Impairment

Judgement has been required when determining the recoverability of investments in subsidiaries and amounts owed by Group undertakings. Management compared expected future cash flows of the subsidiaries in which it has invested, and which are indebted to the Company, and concluded that the likelihood of recovering the amounts relating to two dormant subsidiaries was low. An impairment charge of £7,377,000 was booked in the year ending 31 March 2019 due to the recoverable value of Immunodiagnostic Systems Nordic A/S and MGP Diagnostics AS being lower than the carrying value of the investments. This impairment charge was reclassified to cost due to the liquidation of Immunodiagnostic Systems Nordic A/S in the year ended 31 March 2020.

2. Particulars of employees

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

	2020 No.	2019 No.
Production staff	**1**	1
Sales and marketing staff	**4**	3
Research and development staff	**1**	1
Administrative staff	**14**	12
	20	17

The aggregate payroll cost of the above were:

	2020 £000	2019 £000
Wages and salaries	**1,838**	1,599
Social security costs	**156**	141
Other pension costs	**136**	144
Share-based payments	**15**	24
	2,145	1,908

3. Directors' emoluments

	2020 £000	2019 £000
Emoluments receivable	**618**	552
Value of Company pension contributions to money purchase schemes	**36**	49
	654	601

	2020 No.	2019 No.
Number of Directors accruing benefits under money purchase schemes	**2**	2

Details of individual Director's emoluments and the highest paid DIrector are shown in the Directors' Remuneration Report on page 50.

4. Property, plant and equipment

	Fixtures, fittings & equipment £000	IDS analyser instrument £000	Total £000
Cost			
At 1 April 2019	917	38	955
Additions	174	–	174
At 31 March 2020	**1,091**	**38**	**1,129**
Depreciation			
At 1 April 2019	452	27	479
Charge for the year	168	5	173
At 31 March 2020	**620**	**32**	**652**
Net book value			
At 31 March 2020	**471**	**6**	**477**
At 1 April 2019	465	11	476

5. Intangible assets

	Total £000
Cost	
At 1 April 2019	2,450
Additions	4
At 31 March 2020	**2,454**
Amortisation	
At 1 April 2019	2,219
Charge for the year	85
At 31 March 2020	**2,304**
Net book value	
At 31 March 2020	**150**
At 1 April 2019	231

6. Investments

	Investment in subsidiary undertakings £000
Cost	
At 1 April 2019	60,360
Disposals – capital restructure	(4,751)
Disposal of subsidiaries	(20,623)
At 31 March 2020	**34,986**
Impairment	
At 1 April 2019	8,773
Reclassification to cost: liquidation of subsidiaries	(8,773)
At 31 March 2020	**–**
Net book value	
At 31 March 2020	**34,986**
At 31 March 2019	51,587

6. Investments continued

The Company owns 100% of the issued Ordinary share capital and voting rights of Immunodiagnostic Systems Limited, an unlisted company incorporated in England. The results of the subsidiary and its subsidiary undertakings have been consolidated within the Group accounts. Their principal activity during the year was that of developing, manufacturing and distributing medical diagnostic products.

The Company owns 100% of the share capital of Immunodiagnostic Systems Nordic A/S, an unlisted company incorporated in Denmark. The results of the subsidiary have been consolidated within the Group accounts. It was liquidated during the year ended 31 March 2020.

The Company owns 100% of the share capital of Immunodiagnostic Systems SA, an unlisted company incorporated in Belgium. The results of the subsidiary have been consolidated within the Group accounts. Its principal activity during the year was that of manufacturing diagnostic test kits in particular for use on the Group's automated platform. That Company also performs research and development services for the Group. During the year ending 31 March 2020, £4,751,000 was written off the investment in Belgium due to a capital restructure.

The Company owns 100% of the share capital of Immunodiagnostic Systems France SAS, an unlisted company incorporated in France. The results of the subsidiary have been consolidated within the Group accounts. Its principal activities during the year were those of developing, manufacturing and distributing automated instruments and the distribution of the Group's products in France and Belgium.

The Company owns 100% of the share capital of MGP Diagnostics AS, an unlisted company incorporated in Norway. It was liquidated during the year ended 31 March 2020.

An impairment charge of £7,377,000 was booked in the year ending 31 March 2019 due to the recoverable value of Immunodiagnostic Systems Nordic A/S DS and MGP Diagnostics AS being lower than the carrying value of the investments. This impairment charge was reclassified to cost due to the liquidation of Immunodiagnostic Systems Nordic A/S in the year ended 31 March 2020.

7. Debtors

	2020 £000	2019 £000
Amounts owed by Group undertakings	**14,956**	3,291
Prepayments	**211**	182
Other debtors	**–**	10
	15,167	3,483

The amounts owed by Group undertakings are unsecured and repayable on demand.

8. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**164**	128
Amounts due to Group undertakings	**7,782**	45,157
Other payables	**20**	16
Accruals and deferred income	**497**	357
	8,463	45,658

Amounts due to Group undertakings and unsecured and repayable on demand. Interest is charged relative to LIBOR or EURIBOR with margin of between 1.5% and 3%.

Liquidation of IDS Nordic A/S and the declaration of dividends by Immunodiagnostic Systems Limited and Immunodiagnostic Systems SA during the year ended 31 March 2020 has significantly reduced the amounts due to Group undertakings.

9. Deferred taxation

The deferred taxation relates to temporary differences between the accounting and tax treatment of share options.

	2020 £000	2019 £000
The movement in deferred tax during the year was:		
Liability brought forward	**6**	4
Income statement movement arising during the year	**1**	2
Total deferred tax	**1**	2
Liability carried forward	**7**	6

The elements of deferred taxation are as follows;

	2020 £000	2019 £000
Other temporary differences	**7**	6

Deferred tax assets have not been recognised in respect of tax losses as there is insufficient evidence of recoverability in the near future. The Company has tax losses of £3,037,000 (2019: £2,587,000) that are available indefinitely against future taxable profits of the Company for which no deferred tax has been provided.

10. Dividends

On 16 August 2019 a dividend of 0.7p (2019: 1.7p) per share was paid to shareholders. In respect of the current year, the Directors propose that a dividend of 1.9p per share will be paid to shareholders on 14 August 2020. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend for 2020 is payable to all shareholders on the Register of Members on 17 July 2020. The total estimated dividend is £547,000.

11. Share capital

	2020 £000	2019 £000
Equity shares		
Authorised:		
75,000,000 Ordinary shares of £0.02 each	**1,500**	1,500
	1,500	1,500

	2020			2019		
	Shares in issue £000	Own shares held £000	Total £000	Shares in issue £000	Own shares held £000	Total £000
Allotted, called up and fully paid:						
Ordinary shares of £0.02 each						
29,450,175 ordinary shares (2019: 29,450,175) at 1 April	**576**	**13**	**589**	588	1	589
Purchase of nil (2019: 612,297) own shares	**–**	**–**	**–**	(12)	12	–
29,450,175 (2019: 29,450,175) Ordinary shares at 31 March	**576**	**13**	**589**	576	13	589

12. Share premium

	2020 £000	2019 £000
At 31 March	**32,345**	32,345

13. Share-based payments

Full disclosures of the Group's Unapproved Share Option Schemes are given in Note 32 of the Group Annual Report & Accounts 2020. The disclosures required in respect of all Directors' emoluments and share option plans are given in the Directors' Remuneration Report on page 50.

GLOSSARY

1,25-Dihydroxy Vitamin D/1,25 Vitamin D
1,25-Dihydroxy Vitamin D is the active metabolite of vitamin D. 1,25-Dihydroxy Vitamin D deficiency is associated with renal disease and is also useful in the diagnosis of disorders in the metabolism of 25-Hydroxy Vitamin D and phosphate.

25-OH Vitamin D
25-hydroxy Vitamin D is a pre-hormone that is produced in the liver by hydroxylation of vitamin D3. In the kidney, 25-hydroxy Vitamin D changes into an active form of the vitamin. The active form of vitamin D helps control calcium and phosphate levels in the body. The 25-hydroxy Vitamin D is measured to determine a patient's Vitamin D status.

17-hydroxyprogesterone
17-hydroxyprogesterone ('17-OHP') is a steroid hormone involved in the female menstrual cycle, pregnancy (supporting gestation) and embryogenesis of humans. Measurement of circulating 17-OHP levels is a standard tool for clinical assessment of 21-hydroxylase deficiency, the most common cause of congenital adrenal hyperplasia ('CAH'). It is also used as an aid in the diagnosis of CAH in older children and adults who may have a milder, 'late onset' form referred to as non-classical adrenal hyperplasia.

ACE
Angiotensin-Converting Enzyme ('ACE') blood tests can be used for monitoring the therapeutic treatment of diagnosed Sarcoidosis. Sarcoidosis is a multisystem inflammatory disease of unknown cause that predominantly affects the lungs and intrathoracic lymph nodes. Apart from this inflammatory disease, ACE levels may also be altered in conditions such as tuberculosis, multiple sclerosis and cystic fibrosis.

ACTH
Adrenocorticotropic hormone ('ACTH'), also known as corticotropin, is a hormone produced and secreted by the anterior pituitary gland. ACTH is often produced in response to biological stress. Its principal effects are increased production and release of corticosteroids. Addison's disease occurs when adrenal gland production of cortisol is chronically deficient, resulting in chronically elevated ACTH levels; when a pituitary tumour is the cause of elevated ACTH this is known as Cushing's Disease.

Aldosterone
A steroid hormone produced by the outer section of the adrenal cortex in the adrenal gland. It plays a central role in the regulation of blood pressure.

Allergy
A hypersensitivity disorder of the immune system. Allergic reactions occur when a person's immune system reacts to normally harmless substances in the environment.

Analyte
The substance for which an assay is designed to measure. In the present context this will be in a sample taken from a patient or animal (such as blood) and its measurement will aid the diagnosis or monitoring of a disease or its treatment or provide information for research studies.

Antibody
Any of a large variety of immunoglobulins (or fragments thereof) which are part of the immune system and are produced to help fight against infection. Antibodies are made by a type of blood cell called a lymphocyte and are tailor-made in response to foreign material (antigen) entering the body. Antibodies are highly specific for their particular antigen and will bind strongly to it. In immunoassays, antibodies are raised against the analyte and used as a receptor to bind the analyte.

Antigen
A protein or part of a protein which provokes an immune response and will bind to the antibodies generated.

Assay
A test to detect and/or quantitate a specific analyte in a sample.

BAP
Bone alkaline phosphatise. BAP has been shown to be a sensitive and reliable indicator of bone metabolism.

CLIA technology
Chemiluminescent immunoassay ('CLIA') is an automated assay for use on the IDS analyser instrument Multi-Discipline Automated System used to determine the concentration of proteins, hormones, peptides etc. within the sample under analysis.

Cortisol
A steroid hormone produced by the adrenal cortex. It is released in response to stress and a low level of blood glucocorticoids. Its primary functions are to increase blood sugar, suppress the immune system and aid in fat, protein and carbohydrate metabolism. It also decreases bone formation.

CRM
Customer relationship management, denoting strategies and software that enable a company to optimise its customer relations.

CTX-I
C-terminal teolpeptide type I collagen ('CTZ-I') is used as an indicator of bone resorption status as well as an aid in monitoring bone resorption changes during therapies.

ELISA technology
Enzyme-linked Immunosorbent ('ELISA') assay is a manual, plate-based assay, used for detecting proteins, hormone, peptides etc.

Endocrinology
Endocrinology is a branch of biology and medicine dealing with the endocrine system, its diseases, and its specific secretions called hormones. It also covers the integration of developmental events proliferation, growth, and differentiation and also the psychological or behavioural activities of metabolism, growth and development, tissue function, sleep, digestion, respiration, excretion, mood, stress, lactation, movement, reproduction, and sensory perception as caused by hormones. The medical speciality of endocrinology involves the diagnostic evaluation of a wide variety of symptoms and variations and the long-term management of disorders of deficiency or excess of one or more hormones. Most endocrine disorders are chronic diseases that need lifelong care. Some of the most common endocrine diseases include diabetes mellitus, hypothyroidism and the metabolic syndrome.

Enzyme
A catalytic protein which is necessary for a particular chemical process to take place in a living cell. In immunoassays, enzymes are frequently conjugated to antibodies, as part of the signal generation system.

ERP
Enterprise resource planning, the management of all the information and resources involved in a company's operations by means of an integrated computer system.

FDA
United States Food & Drug Administration.

Free Testosterone
Free Testosterone is an automated assay for the quantitative determination of free testosterone in human serum or plasma.

Free Testosterone level helps clinicians to diagnose disorders involving the male sex hormones (androgens). Measurement of free testosterone may provide additional information in patients whereby the measured total testosterone levels are low.

hgH
Growth hormone ('GH' or 'HGH') is a peptide hormone that stimulates growth, cell reproduction and regeneration. It is synthesised, stored, and secreted by cells within the lateral wings of the anterior pituitary gland. The effects of growth hormone deficiency vary depending on the age at which they occur. In children, growth failure and short stature are the major manifestations of GH deficiency, with common causes including genetic conditions and congenital malformations. Excessive GH can cause excessive growth, traditionally referred to as pituitary gigantism.

IDS-iSYS system, IDS-i10 system, IDS analyser or instrument
The name of IDS' fully-automated immunoassay system.

IGF-1
Insulin-like growth factor 1 ('IGF-1') is a hormone that plays an important role in childhood growth and continues to have anabolic effects in adults. IGF-1 is produced primarily by the liver as well as in target tissue. Measurement, and management, of IGF-1 levels over time is useful for the management of several types of pituitary disease, undernutrition, and growth problems.

IGFBP-3
Insulin-like growth factor binding protein-3 ('IGFBP-3') is a peptide produced by the liver. It is the most abundant of a group of IGFBPs that transport, and control bioavailability and half-life of insulin-like growth factors ('IGF'), in particular IGF-1, the major mediator of the anabolic-and growth-promoting effects of growth hormone ('GH'). IGFBP-3 and IGF-1 serum levels therefore represent a stable and integrated measurement of hgH production.

In-vitro
Literally 'in glass'. It refers to a process or biological reaction taking place outside a living system.

In-vitro Diagnostics (IVD)
Reagents, instruments and systems intended for use in the diagnosis of disease or other conditions, including a determination of the state of health, in order to cure, mitigate, treat or prevent disease. Tests are performed on samples removed from the body.

MGP
Matrix gla protein ('MGP') is a protein found in bone as well as in the heart, kidney and lung. MGP is a vitamin K-dependent protein that is a potential measure of cardiovascular calcification. In bone, its production is increased by vitamin D.

Osteocalcin
Osteocalcin is secreted solely by osteoblasts and thought to play a role in the body's metabolic regulation and is pro-osteoblastic, or bone-building, by nature. It is also implicated in bone mineralisation and calcium ion homeostasis.

P1NP
A reliable marker of bone turnover in humans and is routinely used to monitor bone formation.

PTH
Parathyroid hormone ('PTH') is a polypeptide hormone of 84 amino acids secreted by the parathyroid glands. Measurements of PTH can be used in the diagnosis of hypercalcemia resulting from disorders of calcium metabolism within the body.

SHBG
SHBG measures the levels of sex hormone binding globulin in blood samples. Measurement of SHBG concentrations can be used to assist in the diagnosis of androgen disorders.

Renin
An enzyme that participates in the body's renin-angiotensin system ('RAS') and regulates the body's mean arterial blood pressure.

Testosterone
Testosterone is a steroid hormone that is considered to be the principle male sex hormone (androgen). Measurements of testosterone are used in the diagnosis and treatment of disorders involving androgens.

TRAcP/5b, TRAcP or Bone TRAP
Tartrate-resistant acid phosphatase ('TRAcP') is an enzyme that can be used as an indicator of bone resorption.

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