

20 November 2020

Immunodiagnostic Systems Holdings PLC
Unaudited Interim Results for the six-month period ended 30 September 2020 (H1 FY21)

Key Business Developments in H1 FY21

The COVID-19 pandemic has had an extraordinary impact on global economic performance, and to healthcare systems around the world. Levels of routine diagnostic testing in the market dropped significantly in April, and since then they have been on a recovery path, reaching an estimated 85% of normal levels in September. On a quarterly basis, the directors estimate the market for routine testing saw a drop of 35% during Q1, and 15% during Q2. The IDS revenues followed this market trend.

IDS has launched a number of products for COVID-19 testing in H1, but revenues from these products have so far not been able to make up for the impact of the decline in the market for routine testing.

Unaudited Group revenues for H1 FY21 were £13.7m, 27% lower than the same period last year on both a LFL (i.e. at constant FX rates) and reported basis. Revenues in Q1 were £5.7m (61% of Q1 FY20) but had increased significantly to £8.0m in Q2 (84% of Q2 FY20). This development mirrors the recovery of routine diagnostic testing as noted earlier.

We undertook several cost control efforts during the period to offset the reduced revenues, including using part time working schemes where available, and as a result reduced fixed costs by £1.6m versus H2 FY20.

Adjusted EBITDA, our core metric for measuring underlying profitability, decreased from a profit of £2.9m in H1 FY20 to a loss of £0.8m in H1 FY21. Within the period, Adjusted EBITDA has followed the same improving trend as the revenue, with a loss of £0.9m in Q1 recovering to a profit of £0.1m in Q2.

These results are summarised below:

£m	H1 FY21	H1 FY20	LFL Change*
Group Revenue	13.7	18.8	(27%)
Adjusted** EBITDA	(0.8)	2.9	(126%)

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

** Before exceptional items of £0.6m (H1 FY20: £nil) – see reconciliation in the Financial Review section.

Jaap Stuit, CEO of IDS, commented:

“The impact of the COVID-19 pandemic dominated our H1 FY21 results. However, on the positive side it was pleasing that our automated assay menu increased by seven new assays. We also continued to increase the installed base of IDS analysers and saw a swift recovery in business performance during Q2 as diagnostic testing levels recovered. This increased installed base and assay menu, which now includes a comprehensive SARS-CoV-2 antibody test offering, coupled with our strong balance sheet position, gives me confidence that as the global situation improves IDS will return to growth.”

Notes:

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

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Chief Executive's Statement

Overview

On both a reported basis and LFL basis, Group revenue decreased by 27% from H1 FY20, mainly driven by the reduction in routine diagnostic testing levels due to the COVID-19 pandemic. However, we witnessed a much stronger performance towards the end of H1, with Q2 revenues at 84% of the same period in the prior year. The quarterly Group revenue performance is summarised as follows:

	FY21	FY20	% of FY20 revenue achieved in FY21
Q1 (April – June)	£5.7m	£9.1m	61%
Q2 (July – Sept)	£8.0m	£9.7m	84%
Total	£13.7m	£18.8m	73%

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

1. AUTOMATED BUSINESS

1.1 Business Performance

				LFL Change %	
	H1 FY21 £000	H1 FY20 £000	H1 FY19 £000	H1 FY21 v H1 FY20	H1 FY20 v H1 FY19
25-OH Vitamin D	1,069	2,325	2,839	(54%)	(20%)
Speciality - Endo	5,410	7,059	6,679	(23%)	5%
Speciality - AI	805	702	425	14%	64%
Speciality - Others	214	169	144	26%	17%
Instrument Sales & Service	699	736	714	(6%)	3%
Total	8,197	10,991	10,801	(25%)	0%

Revenue performance in our Automated business declined versus the prior year due to lower diagnostic testing levels, as noted earlier. The revenue trajectory improved significantly as H1 progressed, with revenues of £3.3m in Q1 increasing to £4.9m in Q2.

Business performance varied depending on geography, due to the differing stages of the pandemic in each location. During Q2 FY21 sales in our direct European territories had recovered and were slightly ahead of the same period in the previous year. Conversely, sales in the US and some of our distribution territories were significantly lower.

Over the last few years, our strategy has been to develop new business streams in our Automated Business, thereby reducing our reliance on the declining Vitamin D business. Vitamin D now only accounts for 13% of our Automated business, resulting in a more diversified revenue base with better underlying growth characteristics.

It was pleasing to note, despite the macro economic factors, Speciality Autoimmune revenues continued to grow. This reflects the attractiveness in the market of our comprehensive assay menu which combines dedicated autoimmune markers with complementary endocrinology markers. There is also opportunity to accelerate our Infectious Disease assay revenues on the back of our automated SARS-CoV-2 antibody tests which were released towards the end of H1 FY21.

1.2 **Instrument Placements**

An analysis of instrument placements and sales is set out below:

	H1 FY21	H1 FY20	H1 FY19
Direct Gross Placements [1]	9	18	15
Direct Returns	(10)	(14)	(12)
Direct Net Placements [2]	(1)	4	3
Sales to Distributors [3]	12	14	13
Total Analyser Installations [1] + [3]	21	32	28
Increase in installed base [2] + [3]	11	18	16

The worldwide installed base of analysers increased by 11 during H1 FY21 (H1 FY20: 18).

The focus in most hospitals and laboratories on acute PCR testing for SARS-CoV-2 has impacted the speed in which we can install analysers for validation, and more generally to progress opportunities through our sales pipeline. Sales activity levels, in both direct and distribution markets, improved during Q2, and as a result we expect to see improved analyser placement performance during H2 FY21.

1.3 **Assays per Instrument**

Average assays being run on each instrument stands at 6.1, versus 5.4 at 30 September 2019, demonstrating our ability to upsell new assays onto existing placements, along with the continued uptake of our enlarged assay portfolio.

1.4 **Market Share**

We have assessed whether the strong decrease in revenues in H1 FY21 could be the result of a loss of market share and are confident that we have not ceded market share to competition. We take this confidence from three sources: the lower number of analysers returned, the increased ability to upsell more assays onto our installations, and the fact that many diagnostic companies routine testing businesses have suffered similar declines in revenue.

1.5 **COVID-19 Products**

Towards the end of H1 FY21 we launched two automated immunoassays for the detection of SARS-CoV2 IgG and IgM antibodies, which can detect past infections as well as providing critical public health information. We also provided outsourced manufacturing services to The Binding Site (UK) for their ELISA-based SARS-CoV-2 antibody test. Revenue from COVID-19 products amounted to £0.4m during Q2 FY21.

With the potential arrival of SARS-CoV-2 vaccines, public health studies into the virus should increase as there will be a need to measure the success of the vaccination programmes. There should be a growing interest in monitoring the overall antibody level in a population to measure the attainment of a protective antibody level nationwide for achieving herd immunity. This could drive increased sales of our automated SARS-CoV2 antibody tests.

The above tests are used to confirm past infections. However currently the market focus is on testing to verify an active infection. Therefore, in conjunction with one of our partners, we are working on the development of a saliva-based rapid test for SARS-CoV-2 antigens. This manual test, which has the potential for self-administered use, would allow for immediate identification of individuals with an elevated amount of SARS-CoV-2 virus and be extremely helpful for curtailing the spread of the virus. In addition, it will overcome the shortcoming of presently used rapid tests based on nasopharyngeal swabs, which rely on sampling by professional staff only.

1.6 Assay Development and Product Registration

In Europe, in addition to the two automated SARS-Cov-2 tests we released the IDS Automated Cortisol assay, which rounds out our automated hypertension panel. We also entered the field of therapeutic drug monitoring, with a panel of four new tests co-developed with a partner. These are the first such automated tests on the market. They are used to monitor the efficacy of Infliximab (trade name Remicade) and Adalimumab (trade name Humira) which are antibody-based drugs used in the management of chronic inflammatory diseases.

In the US we achieved 510k approval for our BAP assay and expect to make the first sales of this key assay to a major US laboratory chain during H2 FY21.

In summary, the automated assay menu now available on the IDS analysers is:

	Sep 20		Sep 19	
	CE	FDA	CE	FDA
Endocrinology	23	12	22	11
Autoimmune	29		29	
Infectious Disease	25		23	
Allergy	67		67	
Therapeutic Drug monitoring	4		-	
Total	148	12	141	11

2. Manual Business

				LFL Change %	
	H1 FY21 £000	H1 FY20 £000	H1 FY19 £000	H1 FY21 v H1 FY20	H1 FY20 v H1 FY19
25-OH Vitamin D	249	604	556	(59%)	6%
Other Speciality - IDS	1,696	2,446	2,524	(31%)	(5%)
Other Speciality - Purchased	667	872	987	(24%)	(14%)
Diametra	999	1,816	2,069	(45%)	(13%)
Total	3,611	5,738	6,136	(37%)	(8%)

The Manual business saw a decline of 37% LFL versus H1 FY20, impacted essentially by the same factors as the Automated business. Revenues started to recover with Q1 revenue being £1.6m and Q2 being £2.0m. Despite the efforts of the Manual business unit sales team, this recovery is less pronounced than our Automated business, which we believe is due to a greater portion of our Manual business being generated in geographies which have seen a slower rebound from the first virus wave and hence lower demand levels.

The speciality product range has been impacted less by the reduction in levels of routine testing than our 25-OH Vitamin D and Diametra products, as the speciality tests are often used in a research setting, where the volume impact has been less significant.

3. Technology Business

	H1 FY21 £000	H1 FY20 £000	H1 FY19 £000	LFL Change %	
				H1 FY21 v H1 FY20	H1 FY20 v H1 FY19
Royalty Income	-	-	35	0%	(99%)
Technology Income	1,890	2,062	1,523	(9%)	36%
Total	1,890	2,062	1,558	(9%)	32%

Our Technology business, comprising the sale of instruments and ancillaries to OEMs, showed a LFL decline of £172k.

In this business unit, we have widened the sales focus to include commercialisation of our assay technology and manufacturing know-how. We had success in this area through our agreements to provide contract manufacturing services for SARS-CoV-2 ELISA kits, the revenue for which has been recognised in Technology Income, along with the revenue from sales of our analyser technology to OEM partners.

4. Operations

Like most businesses IDS has faced challenges and restrictions arising from the COVID-19 crisis. These have varied in each of our operational locations, and across the territories where our customers and suppliers are based. It is a credit to our entire team that we were able to maintain full operational capabilities across the business, thus ensuring continuity of supply to all our customers, while adhering to all regulations recommended to ensure the safety of our employees. We have carefully managed costs during the period - more information related to this is provided in the Financial Review.

I would like to thank all of the IDS team for their efforts to ensure we have been able to maintain strong customer service levels and meet customer requirements during these unprecedented times.

Financial review

Group revenues were £13.7m, compared to £18.8m recorded in H1 FY20. An overview of the revenue performance has been given in the Chief Executive's Statement.

Adjusted EBITDA (before exceptional items) was a loss of £0.8m, compared to a profit of £2.9m in H1 FY20, the reduction being driven mainly by the lower revenues, offset by cost savings as explained later in this review. The adjusted EBITDA trajectory improved significantly during H1 FY21, with Q1 recording a loss, but returning to profit in Q2. Free cash to equity outflow was £2.9m (H1 FY20: inflow of £0.4m).

A. SUMMARY OF INCOME STATEMENT

	H1 FY21 £000	H1 FY20* £000	FY20* £000
Revenue	13,698	18,791	39,347
Gross profit	5,260	9,417	19,546
<i>Gross margin</i>	<i>38.4%</i>	<i>50.1%</i>	<i>49.7%</i>
Sales and marketing	(4,081)	(4,403)	(8,890)
Research and development	(2,094)	(1,899)	(4,096)
General and administrative expenses	(2,069)	(2,473)	(5,232)
Total operating costs	(8,244)	(8,775)	(18,218)
Exceptional items	(556)	-	-
(Loss)/profit from operations	(3,540)	642	1,328
Add back:			
Depreciation and amortisation	2,234	2,215	4,722
Exceptional items	556	-	-
Adjusted EBITDA	(750)	2,857	6,050

*Restated – see A1 below

The profit performance for the Group followed a similar trajectory to revenue, with a significant improvement during Q2 as revenues increased, and costs reduced. Gross margin was 34% in Q1 FY21, improving to 41% in Q2 FY21. Adjusted EBITDA in Q1 FY21 was a loss of £0.9m, recovering to a profit of £0.1m in Q2 FY21.

A1 Change in Accounting Policy

To ensure that the Group's financial performance can be more easily benchmarked with its peer group, and our policies are aligned to market practice in the diagnostics sector, the amortisation costs related to capitalised development spend previously shown within cost of goods sold, have been reclassified to Research and Development expenses within Operating Costs. This change does not impact the profit or net assets of the Group. Prior period comparatives have been updated to reflect this change in accounting policy. A table detailing the impact of this reclassification is set out in Note 1.

A2 Foreign Exchange

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

Average exchange rates	H1 FY21	H1 FY20	FY20
Pounds Sterling: US Dollar	1.27	1.26	1.28
Pounds Sterling: Euro	1.12	1.13	1.15

The movement in FX rates has not significantly impacted the reported results of the Group and the comparisons versus H1 FY20. In the period, 73% (H1 FY20: 68%) of the Group's revenues were denominated in Euros, and 13% (H1 FY20: 20%) were denominated in US Dollars.

A3 Gross Profit

Gross profit was £5.3m (H1 FY20: £9.4m) implying a gross margin of 38.4% (H1 FY20: 50.1%).

It is important to note that this drop in margin is almost entirely volume related; we have not seen a significant change in product selling prices to customers. As a result, once sales volumes recover, we expect gross margins to swiftly return to the circa 50% level as seen in FY20. Indeed, as the continuous improvement projects implemented in the operations function have continued during H1 FY21, margins should continue the upward trend seen between FY19 and FY20 moving forward.

A4 Operating Costs

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

	H1 FY21 £000	% revenue	H1 FY20* £000	% revenue*
Sales and marketing	(4,081)	29.8%	(4,403)	23.4%
Research and development	(2,094)	15.3%	(1,899)	10.1%
General and administrative expenses	(2,069)	15.1%	(2,473)	13.2%
Operating costs (pre-exceptional)	(8,244)	60.2%	(8,775)	46.7%

*Restated H1 FY20 information as described in Section A1 of Financial Review

Total spend on operating costs has declined by £0.6m to £8.2m (H1 FY20: 8.8m) with the details set out in the table above.

A5 Cost Control Efforts

During H1 FY21 we implemented two restructuring exercises, as set out in the exceptional items note below, and took advantage of part time working schemes throughout Europe and the Paycheck Protection Program scheme in the US.

As a result, our spend on fixed costs across COGS and Operating costs reduced by £1.6m (or 13%) versus H2 FY20, and £2.2m versus our H1 plan for FY21. We will continue these cost control efforts into H2 FY21 as required, taking account of both how the business recovers as the pandemic evolves as well as the success of our new product lines.

A6 Exceptional Items

Exceptional items during the current and previous financial periods comprise:

	H1 FY21 £000	H1 FY20 £000
Restructuring costs	(556)	-

In H1 FY21 the exceptional costs relate to redundancy costs arising from two strategic reorganisation projects. Firstly, the assay research and development function was consolidated into the two sites in Boldon and Spello, and secondly, we streamlined the IDS Executive Team. We believe both of these changes, which were independent of the impact of the COVID-19 pandemic, will lead to quicker and more efficient decision making within the business, increased output, and a significant reduction in our fixed cost base.

A7 Finance Expense

Net finance expense was £0.1m (H1 FY20: £0.9m). The prior period cost relates mainly to foreign exchange losses on intercompany loans. In the intervening period the intercompany balances have been reorganised to reduce the exposure to intercompany related FX movements.

A8 Taxation

The Group's effective tax rate for the current period is based on an estimate of the rate for the full financial year and is 19% (H1 FY20: 107%) giving a tax credit of £0.7m (H1 FY20: £0.2m). Before exceptional items,

prior year adjustments and the effect of rate changes on deferred tax balances, the effective rate is 12% (H1 FY20: 60%).

A9 Earnings Per Share

Basic loss per share was 10.3p (H1 FY20: earnings per share 0.1p).

B. HEADCOUNT

A summary of IDS headcount by function is given below:

	30 Sep 20	31 Mar 20	30 Sep 19
Operations	133	136	125
Sales and Marketing	75	77	75
<i>thereof field sales force & CAS</i>	22	23	23
Research and Development	43	47	38
General and administrative	35	35	35
Total FTE's	286	295	273
IVDR project	(10)	(9)	-
Total FTE's (excluding IVDR project)	276	286	273

Annualised revenue per employee for H1 FY21 decreased to £96,000 per FTE (H1 FY20: £138,000). The increase in headcount versus 30 Sep 2019 is mainly driven by the creation of a team tasked with ensuring our assays will comply with the future IVD regulations, which will come into effect in May 2022. This team is split across the Operations and Research and Development categories.

C. SUMMARY OF BALANCE SHEET

C1 Equity

The Group's net assets at 30 September 2020 are £54.0m, compared to £57.1m at 31 March 2020 (30 September 2019: £56.7m).

C2 Working Capital

The Group net working capital decreased to £13.2m from £14.1m at 31 March 2020 (£11.3m at 30 September 2019). This equates to 48% of annualised revenue.

Inventory levels have increased, driven by a decision to build up stock levels of analysers and related raw materials worth £2.1m, which we expect will be sold or placed during the second half of the year. This was offset by a net reduction in trade debtors and trade payables, reflecting the lower activity levels experienced towards the end of H1 FY21.

D. SUMMARY OF CASH FLOW STATEMENT

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

	H1 FY21	H1 FY20	FY20
	£000	£000	£000
(Loss)/profit before tax	(3,640)	(230)	3,254
Depreciation and amortisation	2,234	2,215	4,723
Income taxes received	902	331	788
Other adjusting items	108	885	(1,908)
Movements in working capital	(325)	(564)	(1,314)
Cash (used in)/generated from operating activities	(721)	2,637	5,543
Cash used in investing activities	(1,729)	(1,929)	(4,663)
Cash used in financing activities	(974)	(486)	(938)
Net (decrease)/increase in cash and cash equivalents	(3,424)	222	(58)
Dividend	547	201	201
Free cash flow (from)/to equity	(2,877)	423	143

The net decrease in cash was £3.4m, compared to an increase of £0.2m in H1 FY20. The decrease was driven by the lower revenues recorded, which led to cash of £0.7m being used in operating activities. In H1 FY20, £2.6m of cash was generated from operating activities.

Cash used in investing activities reduced, mainly as a result of the lower instrument placements during H1 FY21. The increase in cash used in financing activities was due to the increased dividend of £0.5m related to the prior year (H1 FY20: £0.2m).

As a result of the above, free cash outflow to equity was £2.9m (H1 FY20: inflow of £0.4m).

As at 30 September 2020, the Group's cash and cash equivalents are £24.2m (30 September 2019: £28.1m; 31 March 2020: £27.6m).

E. BREXIT

With a hard Brexit looking more probable, I believe IDS is well positioned to mitigate any disruption. Most of our production capacity and customer base is located outside the UK, and thus will not be impacted by Brexit.

In the run up to 31 December we will position our finished goods inventory to mitigate the impact of any delays arising at the UK:EU border, and do not anticipate any impact to our customers. Furthermore, we have plans to ensure sufficient stock of raw materials are held, particularly where we know a transfer across this border is required, to ensure production in our Boldon facility can continue uninterrupted. Finally, we have taken the steps necessary to ensure our products retain the relevant regulatory approval to enable sale in the EU post Brexit.

Should the Pound Sterling be adversely impacted by a hard Brexit, this will be favourable to IDS, as the majority of our income stream is in Euros or US Dollars, yet we have significant costs in Pounds Sterling.

F. OUTLOOK

While I am pleased with the recovery shown during the second quarter, there remains uncertainty as to how this recovery might evolve, as it is highly contingent on the future development of the pandemic. Given the current onset of a second wave of COVID-19 infections across Europe and the US we will keep a tight control on costs and aim to be ahead of the curve when matching costs to revenues.

Unaudited consolidated interim income statement

For the six-month period to 30 September 2020

		Restated 6 Months ended 30 Sep 2019 £000	Restated Year ended 31 March 2020 £000
	6 Months ended 30 Sep 2020 £000		
	Note		
Revenue	2, 3	13,698	39,347
Cost of sales		(8,438)	(19,801)
Gross profit		5,260	19,546
Sales and marketing costs		(4,081)	(8,890)
Research and development costs		(2,094)	(4,096)
General and administrative expenses		(2,069)	(5,232)
Operating costs pre-exceptional items		(8,244)	(18,218)
Restructuring costs		(556)	-
Total exceptional items	4	(556)	-
Operating costs		(8,800)	(18,218)
(Loss)/profit from operations		(3,540)	1,328
Finance income			
Finance income pre-exceptional items		36	891
Exceptional finance income		-	1,226
Total finance income		36	2,117
Finance costs		(136)	(191)
(Loss)/profit before tax		(3,640)	3,254
Income tax credit	6	688	94
(Loss)/profit for the period attributable to owners of the parent		(2,952)	3,348
(Loss)/earnings per share			
From continuing operations			
Adjusted basic	5	(8.6)p	7.4p
Adjusted diluted	5	(8.5)p	7.4p
Basic	5	(10.3)p	11.6p
Diluted	5	(10.2)p	11.6p

Unaudited interim statement of other comprehensive income
For the six-month period to 30 September 2020

	6 Months ended 30 Sep 2020 £000	6 Months ended 30 Sep 2019 £000	Year ended 31 March 2020 £000
(Loss)/profit for the period	(2,952)	16	3,348
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences	390	1,575	(137)
Exchange differences classified to profit and loss on liquidation of foreign subsidiary	-	-	(1,226)
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods, before and after tax	390	1,575	(1,363)
Other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit plan	-	(39)	(8)
Other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods, before tax	-	(39)	(8)
Tax relating to other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	(5)
Other comprehensive income/(expense), net of tax	390	1,536	(1,376)
Total comprehensive (expense)/income for the period attributable to owners of the parent	(2,562)	1,552	1,972

Unaudited consolidated interim balance sheet
As at 30 September 2020

		30 Sep 2020	30 Sep 2019	31 March 2020
	Note	£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment		9,722	8,500	9,806
Other intangible assets		11,183	11,123	11,162
Deferred tax assets		295	284	116
Other non-current assets		110	110	289
		<hr/> 21,310	<hr/> 20,017	<hr/> 21,373
Current assets				
Inventories		13,181	9,043	10,740
Contract assets		268	402	317
Trade and other receivables		7,228	8,560	11,153
Income tax receivable		1,633	2,528	2,140
Cash and cash equivalents		24,178	28,148	27,584
		<hr/> 46,488	<hr/> 48,681	<hr/> 51,934
Total assets		<hr/> 67,798	<hr/> 68,698	<hr/> 73,307
Liabilities				
Current liabilities				
Lease liabilities		851	554	833
Trade and other payables		7,265	6,518	9,494
Contract liabilities		175	166	209
Income tax payable		218	348	485
Provisions	7	78	47	76
Government grants		18	28	22
		<hr/> 8,605	<hr/> 7,661	<hr/> 11,119
Net current assets		<hr/> 37,883	<hr/> 41,020	<hr/> 40,815
Non-current liabilities				
Lease liabilities		2,841	2,062	2,724
Employee benefit obligations		370	403	360
Provisions	7	1,009	884	969
Deferred tax liabilities		986	947	1,046
		<hr/> 5,206	<hr/> 4,296	<hr/> 5,099
Total liabilities		<hr/> 13,811	<hr/> 11,957	<hr/> 16,218
Net assets		<hr/> 53,987	<hr/> 56,741	<hr/> 57,089
Total equity				
Called up share capital	8	589	589	589
Share premium account	8	32,345	32,345	32,345

Other reserves	3,687	6,235	3,297
Retained earnings	17,366	17,572	20,858
Equity attributable to owners of the Parent	53,987	56,741	57,089

Unaudited consolidated interim cash flow statement

For the six-month period to 30 September 2020

	6 Months ended 30 Sep 2020 £000	6 Months ended 30 Sep 2019 £000	Year ended 31 March 2020 £000
(Loss)/profit before tax	(3,640)	(230)	3,254
Adjustments for:			
Depreciation of property, plant and equipment	1,140	1,185	2,468
Amortisation of intangible assets	1,094	1,030	2,255
Loss on disposal of property, plant and equipment	2	2	3
Share-based payment charge	7	11	15
Finance income	(36)	(108)	(2,117)
Finance costs	135	980	191
Operating cash flows before movements in working capital	(1,298)	2,870	6,069
Increase in inventories	(2,214)	(910)	(2,484)
Decrease/(increase) in receivables	4,098	638	(1,933)
(Decrease)/increase in payables, provisions and deferred income	(2,209)	(292)	3,103
Cash (used in)/generated by operations	(1,623)	2,306	4,755
Income taxes received	902	331	788
Net cash from operating activities	(721)	2,637	5,543
Investing activities			
Purchases of other intangible assets	(1,065)	(922)	(2,198)
Purchases of property, plant and equipment	(700)	(1,115)	(2,638)
Interest received	36	108	173
Net cash used by investing activities	(1,729)	(1,929)	(4,663)
Financing activities			
Principal element of lease payments	(327)	(215)	(546)
Interest paid	(100)	(70)	(191)
Dividends paid	(547)	(201)	(201)
Net cash used by financing activities	(974)	(486)	(938)
Net (decrease)/increase in cash and cash equivalents	(3,424)	222	(58)
Effect of exchange rate differences	18	213	(71)
Cash and cash equivalents at beginning of period	27,584	27,713	27,713
Cash and cash equivalents at end of period	24,178	28,148	27,584

Unaudited consolidated statement of changes in equity

	Share capital	Share premium account	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000
At 1 April 2020	589	32,345	3,297	20,858	57,089
Loss for the period	-	-	-	(2,952)	(2,952)
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	390	-	390
Remeasurement of defined benefit plan	-	-	-	-	-
Total comprehensive income	-	-	390	(2,952)	(2,562)
Transactions with owners					
Share-based payments	-	-	-	7	7
Dividends paid	-	-	-	(547)	(547)
At 30 September 2020	589	32,345	3,687	17,366	53,987
At 1 April 2019	589	32,345	4,660	17,709	55,303
Change in accounting policy	-	-	-	76	76
Restated as at 1 April 2019	589	32,345	4,660	17,785	55,379
Profit for the period	-	-	-	16	16
Other comprehensive income					
Foreign exchange translation differences on foreign currency net investment in subsidiaries	-	-	1,575	-	1,575
Remeasurement of defined benefit plan	-	-	-	(39)	(39)
Total comprehensive income	-	-	1,575	(23)	1,552
Transactions with owners					
Share-based payments	-	-	-	11	11
Dividends paid	-	-	-	(201)	(201)
At 30 September 2019	589	32,345	6,235	17,572	56,741

	Share capital	Share premium account	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000
At 1 April 2019	589	32,345	4,660	17,709	55,303
Profit for the year	-	-	-	3,348	3,348
Other comprehensive 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

In the prior year Interim Financial Statements, the opening equity was restated due to a change in accounting policy relating to IFRS16 Leases. This was subsequently noted as incorrect and was reversed at the year end. The impact is not material and therefore there is no restatement of prior year Interim opening reserves.

Notes to the Interim Financial Statements

For the six-month period to 30 September 2020

1 Basis of preparation

The unaudited condensed financial statements for the six months ended 30 September 2020 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2020. The unaudited condensed financial information has been prepared using the same accounting policies and methods of computation used to prepare the Group's Annual Report & Accounts for the year ended 31 March 2020 that are described on pages 62 to 72 of that report which can be found on the Group's website at www.idsplc.com. The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union.

New standards or interpretations not yet effective for the financial year ending 31 March 2021 are as follows: -

- IAS 1 – Presentation of Financial Instruments – amendments to the definition of material;
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – amendments to the definition of material;
- IFRS 3 – Business Combinations – amendments to clarify the definition of a business;
- IFRS 9, IAS 39 and IFRS 7 Financial Instruments – amendments to interest rate benchmark reform providing certain reliefs for hedge accounting.

The financial information for the six months ended 30 September 2020 is not reviewed by PricewaterhouseCoopers LLP and accordingly no opinion has been given. The comparative financial information for the year ended 31 March 2020 has been extracted from the Annual Report & Accounts 2020. The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and does not reflect all of the information contained in the Group's Annual Report & Accounts 2020. The annual financial statements for the year ended 31 March 2020, which were approved by the Board of Directors on 16 June 2020, received an unqualified audit report, did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

To ensure that the Group's financial performance can be more easily benchmarked with its peer group, and our policies are aligned to market practise in the diagnostics sector, the amortisation costs related to capitalised development spend previously shown within cost of goods sold, have been reclassified to research and development expenses. This change does not impact the profit or net assets of the Group. The changes made are highlighted in the tables below:

H1 2021	Before reclassification	Development cost amortisation reclassification	After reclassification
	£'000	£'000	£'000
Revenue	13,698		13,698
Cost of sales	(9,447)	1,009	(8,438)
Gross profit	4,251	1,009	5,260
Sales and marketing	(4,081)		(4,081)
Research and development	(1,085)	(1,009)	(2,094)
General and administrative	(2,069)		(2,069)
Operating costs pre-exceptional items	(7,235)	(1,009)	(8,244)
Exceptional items	(556)		(556)
Operating costs	(7,791)	(1,009)	(8,800)

Loss from operations	(3,540)	(3,540)
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H1 2020	Before reclassification	Development cost amortisation reclassification	After reclassification
	£'000	£'000	£'000
Revenue	18,791		18,791
Cost of sales	(10,380)	1,006	(9,374)
Gross profit	8,411	1,006	9,417
Sales and marketing	(4,403)		(4,403)
Research and development	(893)	(1,006)	(1,899)
General and administrative	(2,473)		(2,473)
Operating costs pre-exceptional items	(7,769)	(1,006)	(8,775)
Exceptional items	-		-
Operating costs	(7,769)	(1,006)	(8,775)
Profit from operations	642		642

FY 2020	Before reclassification	Development cost amortisation reclassification	After reclassification
	£'000	£'000	£'000
Revenue	39,347		39,347
Cost of sales	(21,971)	2,170	(19,801)
Gross profit	17,376	2,170	19,546
Sales and marketing	(8,890)		(8,890)
Research and development	(1,926)	(2,170)	(4,096)
General and administrative	(5,232)		(5,232)
Operating costs pre-exceptional items	(16,048)	(2,170)	(18,218)
Exceptional items	-		-
Operating costs	(16,048)	(2,170)	(18,218)
Profit from operations	1,328		1,328

The change in accounting policy would have similarly impacted prior periods, with a decrease in Cost of Sales and an increase in Research and Development costs. The impact on FY19, FY18, and FY17 would have been £2,246,000, £2,020,000, and £1,865,000 respectively.

2 Revenue

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

H1 FY21	Recognised on delivery £000	Recognised over time £000	Total £000
25-OH vitamin D	1,069	-	1,069
Speciality - Endo	5,410	-	5,410
Speciality – AI	805	-	805
Speciality - Others	214	-	214
Instrument sales and service	388	311	699
Total Automated	7,886	311	8,197
Automated revenue comprises:			
Operating lease rental	-	1,628	1,628
Reagent revenue	6,569	-	6,569
25-OH vitamin D	249	-	249
Other speciality - IDS	1,696	-	1,696
Other speciality - purchased	667	-	667
Diametra	999	-	999
Total manual	3,611	-	3,611
Technology	1,872	18	1,890
Total revenue	13,369	329	13,698

H1 FY20	Recognised on delivery £000	Recognised over time £000	Total £000
25-OH vitamin D	2,325	-	2,325
Speciality - Endo	7,059	-	7,059
Speciality – AI	702	-	702
Speciality - Others	169	-	169
Instrument sales and service	469	267	736
Total Automated	10,724	267	10,991
Automated revenue comprises:			
Operating lease rental	-	1,601	1,601
Reagent revenue	9,390	-	9,390
25-OH vitamin D	604	-	604
Other speciality - IDS	2,446	-	2,446
Other speciality - purchased	872	-	872
Diametra	1,816	-	1,816
Total Manual	5,738	-	5,738
Technology	1,813	249	2,062
Total revenue	18,275	516	18,791

FY20	Recognised on delivery £000	Recognised over time £000	Total £000
25-OH vitamin D	4,822	-	4,822
Speciality - Endo	14,083	-	14,083

Speciality – AI	1,793	-	1,793
Speciality - Others	489	-	489
Instrument sales and service	1,565	632	2,197
Total Automated	22,752	632	23,384
Automated revenue comprises:			
Operating lease rental	-	3,178	3,178
Reagent revenue	20,206	-	20,206
25-OH vitamin D	969	-	969
Other speciality - IDS	4,979	-	4,979
Other speciality - purchased	1,658	-	1,658
Diametra	3,770	-	3,770
Total Manual	11,376	-	11,376
Technology	3,771	816	4,587
Total revenue	37,899	1,448	39,347

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

	H1 FY21 £000	H1 FY20 £000	FY20 £000
Current contract assets relating to automated reagent sales	268	402	317

Contract liabilities

	H1 FY21 £000	H1 FY20 £000	FY20 £000
Current contract liabilities relating to instrument sales	175	166	209

3 Segmental information

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

Analysis of revenue is prepared and monitored on a geographical basis due to the organisation of the sales team as well as by product type. IDS reports profit from operations for the three segments below. This is monitored by the chief operating decision-maker quarterly. All balance sheet and cash flow information received and reviewed by the Board of Directors is prepared at a Group level.

H1 FY21	Automated £000	Manual £000	Technology £000	Total £000
Revenue	8,197	3,611	1,890	13,698
Cost of sales	(4,648)	(2,668)	(1,122)	(8,438)
Gross profit	3,549	943	768	5,260
Sales and marketing	(3,244)	(630)	(207)	(4,081)
Research and development	(2,046)	84	(132)	(2,094)
General and administrative expenses	(1,250)	(571)	(248)	(2,069)
Operating costs pre-exceptional items	(6,540)	(1,117)	(587)	(8,244)
Adjusted EBIT	(2,991)	(174)	181	(2,984)
Exceptional items				
Restructuring costs				(556)
Total exceptional items				(556)
EBIT				(3,540)
Finance income				36
Finance costs				(136)
Loss before tax				(3,640)
Adjusted EBIT	(2,991)	(174)	181	(2,984)
Add: depreciation and amortisation	2,086	117	31	2,234
Adjusted EBITDA	(905)	(57)	212	(750)

H1 FY20	Restated Automated £000	Restated Manual £000	Restated Technology £000	Restated Total £000
Revenue	10,991	5,738	2,062	18,791
Cost of sales	(4,698)	(3,360)	(1,316)	(9,374)
Gross profit	6,293	2,378	746	9,417
Sales and marketing	(3,347)	(841)	(215)	(4,403)
Research and development	(1,778)	-	(121)	(1,899)
General and administrative expenses	(1,502)	(732)	(239)	(2,473)
Operating costs pre-exceptional items	(6,627)	(1,573)	(575)	(8,775)
Adjusted EBIT	(334)	805	171	642
Exceptional items				
Restructuring credit				-
Total exceptional items				-
EBIT				642
Finance income				108
Finance costs				(980)
Loss before tax				(230)
Adjusted EBIT	(334)	805	171	642
Add: depreciation and amortisation	1,946	239	30	2,215
Adjusted EBITDA	1,612	1,044	201	2,857

FY20	Restated Automated £000	Restated Manual £000	Restated Technology £000	Restated Total £000
Revenue	23,384	11,376	4,587	39,347
Cost of sales	(10,263)	(6,804)	(2,734)	(19,801)
Gross profit	13,121	4,572	1,853	19,546
Sales and marketing	(6,821)	(1,630)	(439)	(8,890)
Research and development	(3,807)	26	(315)	(4,096)
General and administrative expenses	(3,220)	(1,476)	(536)	(5,232)
Operating costs pre-exceptional items	(13,848)	(3,080)	(1,290)	(18,218)
Adjusted EBIT	(727)	1,492	563	1,328
Exceptional items				
Restructuring credit				-
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

Comparative segmental information has been impacted by the change in accounting policy relating to amortisation of capitalised research and development costs. Please refer to Note 1.

4 Exceptional items

The Group incurred the following exceptional items during the financial period:

	H1 FY21 £000	H1 FY20 £000	FY20 £000
Restructuring costs	556	-	-
Total exceptional operating costs	556	-	-

In H1 FY21, exceptional items related to redundancy costs relating to the impact of COVID-19.

In H1 FY20 and FY20, there were no exceptional operating costs, however in FY20 there was exceptional finance income of £1,226,000 relating to the liquidation of Immunodiagnostic Systems Nordic A/S.

5 Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares relating to contingently issuable shares under the Group's share option scheme. At 30 September 2020, the performance

criteria for the vesting of the awards under the option scheme had been met and consequently the shares in question are included in the diluted EPS calculation.

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

	6 Months ended 30 Sep 2020	6 Months ended 30 Sep 2019	Year ended 31 March 2020
	£000	£000	£000
(Loss)/profit on ordinary activities after tax	(2,952)	16	3,348
	Number	Number	Number
Weighted average no of shares:			
For basic earnings per share	28,784,097	28,784,097	28,784,097
Effect of dilutive potential ordinary shares:			
-Share Options	37,866	14,112	24,608
For diluted earnings per share	28,821,963	28,798,209	28,808,705
Basic (loss)/earnings per share	(10.3)p	0.1p	11.6p
Diluted (loss)/earnings per share	(10.2)p	0.1p	11.6p
(Loss)/profit on ordinary activities after tax	(2,952)	16	3,348
Exceptional items after tax	489	-	(1,226)
Adjusted (loss)/profit on ordinary activities after tax	(2,463)	16	2,122
Adjusted basic (loss)/earnings per share	(8.6)p	0.1p	7.4p
Adjusted diluted (loss)/earnings per share	(8.5)p	0.1p	7.4p

6 Taxation

The estimated tax rate for FY21 of 19% (H1 FY20: 107%) has been applied to the profit before tax for the six months to 30 September 2020.

The Group's tax rate is in line with the mainstream UK Corporation tax rate of 19%, however it is substantially impacted by claims for R&D relief in certain territories and overseas taxation paid at higher rates than in the UK.

7 Provisions

	Retirement/ Leavers Provision £000	Warranty Provision £000	Dilapidation Provision £000	Total £000
At 1 April 2020	438	76	531	1,045
Foreign exchange gain	11	1	-	12
Reassessment in period	29	1	-	30
At 30 September 2020	478	78	531	1,087
At 1 April 2019	357	46	489	892
Foreign exchange movement	12	1	-	13
Reassessment in period	26	-	-	26
At 30 September 2019	395	47	489	931
At 1 April 2019	357	46	489	892
Foreign exchange gain	10	1	-	11
Reassessment in the period	71	29	-	100
Unwind of discount	-	-	42	42
At 31 March 2020	438	76	531	1,045
At 30 September 2020				
Included in current liabilities	-	78	-	78
non-current liabilities	478	-	531	1,009
	478	78	531	1,087
At 30 September 2019				
Included in current liabilities	-	47	-	47
non-current liabilities	395	-	489	884
	395	47	489	931
At 31 March 2020				
Included in current liabilities	-	76	-	76
non-current liabilities	438	-	531	969
	438	76	531	1,045

When employees leave Dia.Metra S.r.l, by law the company is required to pay to that employee an amount equal to one month's salary for each year they have worked at the Company. The scheme is Trattamento di Fine Rapporto ('TFR'). A provision for this obligation is recognised in the balance sheet, but there is considerable uncertainty over the timing of the settlement due to lack of forward visibility of employees leaving service. The present value of the potential liability to current employees as at 30 September 2020 is £478,000.

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

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

8 Share Capital

	30 Sep 2020 £000	30 Sep 2019 £000	31 March 2020 £000
Equity Shares			
Authorised:			
75,000,000 Ordinary Shares of £0.02 each at 30 September 2020, 31 March 2020 and 30 September 2019	1,500	1,500	1,500
Share Capital			
Allotted, called up and fully paid:			
28,784,097 (30 September 2019: 28,784,097, 31 March 2020: 28,784,097) Ordinary shares of 2p each (excluding own shares held)	576	576	576
Own shares held of 2p each 666,078 (30 September 2019: 666,078, 31 March 2020: 666,078)	13	13	13
	589	589	589
Share Premium			
Balance carried forward	32,345	32,345	32,345

9 Financial assets and financial liabilities

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

10 Interim results

These results were approved by the Board of Directors on Friday 20 November 2020. Copies of this unaudited interim report will be available to the public from the Group's registered office and www.idsplc.com.