24 September 2018

Instem plc

("Instem", the "Company" or the "Group")

Half Year Report

Instem plc (AIM: INS.L), a leading provider of IT solutions to the global life sciences market, announces its unaudited half year results for the six months ended 30 June 2018.

Financial Highlights

- Total revenues were £10.5m (H1 2017: £10.3m), of which recurring revenues were £6.5m (H1 2017: £6.5m)
- EBITDA* of £1.4m (H1 2017: £0.6m)
- Adjusted** profit before tax of £0.8m (H1 2017: £0.1m)
- Adjusted** basic earnings per share of 4.7p (H1 2017: 0.2p)
- Reported profit before tax of £0.1m (H1 2017: loss of £0.6m)
- Reported basic earnings per share of 0.3p (H1 2017: loss per share of 4.4p)
- Net operating cash inflow of £1.6m (H1 2017: outflow £1.4m)
- Cash balance as at 30 June 2018 of £3.7m (H1 2017: £1.2m)

*Earnings before interest, tax, depreciation, amortisation and non-recurring items.
**After adjusting for the effect of foreign currency exchange on the revaluation of inter-company balances included in finance income/(costs), non-recurring items and the amortisation of intangibles on acquisitions. Profit is adjusted in this way to provide a clearer measure of underlying operating performance.

Operational Highlights

- Strong performance from our Regulatory Solutions business, which is winning the majority of SEND technology and outsourced services contracts and is increasing market share
    - Contract win with a top five global, non-clinical Contract Research Organisation ("CRO") outsourcing all SEND data set generation to Instem, worth in excess of £1.7 million over an initial two-year period
    - A top five preclinical CRO extended its 2018 SEND outsourced Services contract to over $0.5 million
- Increased demand for our Software-as-a-Service ("SaaS") delivery model, supported by accreditation, in the period, to Information Security Management Standard ISO 27001, ensuring both internal and external client compliance with EU General Data Protection Regulation ('GDPR')
- Contract win with a leading Fortune 500 Company that adopted Instem's Samarind RMS solution for its worldwide medical products regulatory tracking system

Phil Reason, CEO of Instem plc, commented:

“We are very pleased with the performance of the business during H1 2018, with regulatory requirements delivering the expected significant increase in demand for our technology enabled outsourced services.”

“Growth was also particularly strong in the Asia-Pacific region, with bookings up over 60% on the prior year, primarily attributable to the continuing funding of pharmaceutical Research & Development by the Chinese government.”

“With increasing momentum in the business from recent contract wins and the growing pipeline, we are confident about the outlook for the Group for the rest of 2018 and beyond.”

“While our strategy remains focused on organic revenue growth, expanding operational gearing and improving positive cashflow, management will continue to consider complementary acquisition targets, including transformational opportunities, to further develop our position as a market leading provider of IT solutions to the global life sciences market.”

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CHAIRMAN'S STATEMENT

I am delighted to report that, following the encouraging performance in 2017, the Company has maintained its positive trading momentum in the first half of 2018.

Most importantly, from a financial perspective, our operating margins improved due to a combination of the sales mix and the impact of the restructuring of the business that we undertook during 2017. EBITDA increased by 120% to £1.4m and strong positive cashflow improved our cash balance by £2.5m to £3.7m as of the end of the period.

The strategy that we outlined to investors last year, and implemented at the beginning of the current financial year, was:

- To extend our technology leadership through continued investment in our products and services across our traditional markets, while further consolidating our fragmented industry
- To maximise the opportunity as market leaders within the exciting new SEND services market
- To make further progress in developing the unique opportunity presented by our Artificial Intelligence (AI) enabled informatics business.

With specific reference to the above, our technology leadership was demonstrated during the period by the increase in demand for our Software-as-a-Service delivery model and a leading Fortune 500 Company selecting our Samarind RMS solution. Our market leadership in the emerging SEND market was demonstrated by significant revenue growth from our technology-enabled SEND outsourced services, with 75 orders received during the first six months of the current financial year compared to 23 in the corresponding period in 2017. We believe that Instem secured the majority of SEND related contracts awarded during the period.

In summary, I am therefore pleased to report that in the six months to 30 June 2018 we made great progress in delivering our stated strategy and the business is well positioned to continue this success throughout the remainder of the current financial year.

Over recent years, based on our comprehensive product portfolio, the Company has established a scalable operating and geographical platform, enabling it to compete on the global stage. The Board has conducted a comprehensive review to establish the future strategy. We will continue our current acquisition strategy, including seeking larger, more transformational opportunities. This would enable Instem to develop from an important niche player to a major business, operating at the centre of the increasing demand for data driven solutions across the global life sciences industry.

David Gare
Non-Executive Chairman
23 September 2018

CHIEF EXECUTIVE'S REPORT

Strategic Development

During the period under review Instem has benefited from the restructuring undertaken in 2017 with the central Operations Team now providing services across almost all areas of the business, allowing flexibility to allocate resources to areas of greatest demand.

Outsourced services contract wins secured in H1 2018 will increasingly benefit revenues in H2 2018 and beyond.

We have invested heavily in our technology and resources to enable the Company to secure a leading share of the FDA's (Food and Drug Administration) mandated SEND (Standard for Exchange of Nonclinical Data) market and to cost effectively deliver high-quality results using a blend of resources in the UK, US and India.

The recent emphasis on SaaS deployments is already building momentum for both new client implementations and existing client upgrades and, whilst still a modest proportion of total, new business SaaS bookings have grown 98% year on year, further enhanced by the SEND mandate, which was significantly extended in December 2017.

Market Review

The customer markets in which Instem operates remained strong in H1 2018 with record numbers of drugs in the earlier stages of the R&D lifecycle. This underpins robust recurring SaaS and software maintenance contract renewal rates as well as bolstering the pipeline for new business revenue.

During the period, Instem continued to win the majority of new business placed in non-clinical, our largest revenue contributor, particularly in SEND technology and related services.

Growth was also particularly strong in the Asia-Pacific region with bookings up over 60%, significantly helped by the continuing substantial funding of pharmaceutical Research & Development by the Chinese government.

Study Management and Data Collection

As anticipated, there were no individually sizable new deals in this area in H1 2018, but there was a generally solid order volume, particularly for Provantis, our market leading preclinical software suite for organisations engaged in non-clinical evaluation studies, where additional users, modules and upgrade projects had good momentum.

This area contributes the majority of our annual recurring income and renewal rates remained very high. It also provides the greatest opportunity for conversion of existing clients from on-premise to SaaS deployment, and the internal project to accelerate this transition is building momentum. The move of one of the top chemical companies, a long-standing on-premise client, to SaaS deployment alongside an upgrade to Provantis version 10, provides further evidence of the market appetite for this transition.

Provantis has once again dominated the Chinese market with existing clients expanding and adding more users and more modules.

Investment in Instem's early phase clinical product, Alphadas, was increased in the period with a focus on current client needs and recognising that these enhancements will have wider market appeal going forward.

Informatics

New business orders for KnowledgeScan, which can reduce the traditional cost of Target Safety Assessment (TSA) development by up to 50%, increased by 15% year-on-year, mainly from repeat customers, which is demonstrative of a strong and recurring revenue stream.

By outsourcing all, or augmenting some, of a customer's TSA projects to Instem, clients are able to conduct more evaluations without increasing resources or costs. Driven by leading stage technology including well proven artificial intelligence, Instem's KnowledgeScan TSA service offers consistent, systematic and efficient processes that produce high quality reliable results.

Regulatory Solutions

Regulatory Information Management

In June, we announced that a leading Fortune 500 Company had adopted Instem's Samarind RMS solution for its worldwide medical products regulatory tracking system. The contract is worth approximately US$750,000, incorporating both perpetual license and SaaS revenue streams, with c. 80% of the contract being recognised in 2018 and annual recurring revenue of US$169,000.

Samarind RMS provides medical device and pharmaceutical companies with a smarter way to manage their Product Information, facilitating initial marketing authorisation and supporting ongoing regulatory compliance. The product is optimised to enable these companies to register and track their regulated products worldwide by maintaining a single integrated database of all relevant information, which is then used to update regulators as products change over time. The comprehensive functionality provided by Samarind RMS enables customers to systematically define and execute complex regulatory activities across a globally dispersed workforce whilst providing a single place to find, analyse and act on a wealth of product and regulatory information.

Standard for the Exchange of Nonclinical Data ("SEND")

The Regulatory Solutions business performed particularly strongly during the period following the latest FDA mandate of the Standard for the Exchange of Non-clinical Data. As previously stated in our trading update of July, SEND contract value in H1 2018 exceeded that for the entire FY 2017 and this momentum continues apace and the Group has a strong SEND new business pipeline for both technology and service related sales.

To help manage this additional workflow effectively Instem has recruited an additional 27 staff to its outsourced services team in H1 2018; 19 in India, four in the US and four in the UK, making 45 in total globally. While expansion is continuing, the rate of recruitment is moderating as the existing team becomes fully billable and our technology platform and processes are optimised to increase study throughput.

Outlook

We are very pleased with the performance of the business during H1 2018 with regulatory requirements delivering the expected significant increase in demand for our technology enabled outsourced services.

Growth was also particularly strong in the Asia-Pacific region, with bookings up over 60% on the prior year, primarily attributable to the continuing funding of pharmaceutical Research & Development by the Chinese government.

With increasing momentum in the business from recent contract wins and the growing pipeline, we are confident about the outlook for the Group for the rest of 2018 and beyond.

While our strategy remains focused on Instem's strong organic revenue growth, expanding operational gearing and improving positive cashflow, management will continue to consider complementary acquisition targets, including transformational opportunities, to further develop our position as a market leading provider of IT solutions to the global life sciences market.

Phil Reason
Chief Executive Officer
23 September 2018

FINANCIAL REVIEW

Instem's revenue model consists of fees for perpetual licences, support and maintenance, SaaS subscriptions and professional services. We are experiencing significant growth in our outsourced services business and SEND in particular.

Total revenues increased 2% from £10.3m to £10.5m in the period. Recurring revenue, derived primarily from support & maintenance fees and SaaS subscriptions, remained consistent at £6.5m (H1 2017: £6.5m) representing 62% (H1 2017: 63%) of total revenue while revenue from outsourced services increased to £1.1m (H1 2017: £0.3m).

Operating expenses decreased from £9.6m in 2017 to £9.0m representing a 7% reduction. The decrease reflects a full six-month impact of the reorganisation exercise completed at the end of June 2017.

Development expenditure in the period was £1.6m (H1 2017: £1.7m), of which £0.7m was capitalised (H1 2017: £0.9m). A significant proportion of the development costs relates to investment in our Clinical product offering along with continued investment in our Study Management and Data Collection software.

Earnings from operations before interest, tax, depreciation, amortisation and non-recurring items ('EBITDA') for the period, were £1.4m (H1 2017: £0.6m), representing an EBITDA/Revenue margin of 13% (H1 2017: 6%).

Non-recurring costs include £0.3m of professional fees.

The IAS19 funding deficit on Instem's defined benefit pension scheme decreased by £2.3m, from £3.8m at December 2017 to £1.5m at June 2018. The June calculation incorporated the results of the 2017 triennial valuation that was concluded during the period, combined with a change in revaluation of deferred members' benefits following a move from RPI to CPI. The decrease in the pension scheme deficit resulted in a £0.3m release of deferred tax asset.

The period saw strong net cash generation resulting in a cash inflow on operating activities of £1.6m (H1 2017: outflow of £1.4m) largely due to cash inflow from key contracts, outsourced services and an R&D tax credit in respect of 2016. In May the final balance of the deferred consideration relating to the acquisition of Samarind Limited was settled, reducing the consideration due in respect of prior year acquisitions to £nil (H1 2017: £0.2m). Cash balances at the end of June 2018 totalled £3.7m (H1 2017 £1.2m).

The movements in share capital, share premium and shares to be issued accounts reflect the respective exercise and granting of share options during the period.

In line with previous periods and given our policy of retaining cash within the business to capitalise on available growth opportunities, the Board has not recommended the payment of a dividend.

Principal risks and uncertainties
The principal risks and uncertainties within the business remain unchanged from those described in our 2017 Annual Report.

Nigel Goldsmith,
Chief Financial Officer
23 September 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 £000	Unaudited Six months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
REVENUE		**10,475**	**10,278**	**21,668**
Operating expenses		(8,953)	(9,644)	(18,549)
Share based payment		(143)	(46)	(157)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND NON-RECURRING ITEMS (“EBITDA”)		**1,379**	**588**	**2,962**
Depreciation		(73)	(97)	(186)
Amortisation of intangibles arising on acquisition		(446)	(466)	(931)
Amortisation of internally generated intangibles		(320)	(225)	(473)
PROFIT/(LOSS) BEFORE NON-RECURRING COSTS		**540**	**(200)**	**1,372**
Non-recurring costs	4	(373)	(426)	(443)
PROFIT/(LOSS) AFTER NON-RECURRING COSTS AND BEFORE FINANCE COSTS		**167**	**(626)**	**929**
Finance income	5	74	167	186
Finance costs	6	(160)	(168)	(318)
PROFIT/(LOSS) BEFORE TAXATION		**81**	**(627)**	**797**
Taxation		(41)	(73)	297
PROFIT/(LOSS) FOR THE PERIOD		**40**	**(700)**	**1,094**
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
Items that will not be reclassified to profit and loss account				
Actuarial gain on retirement benefit obligations		2,085	333	664
Deferred tax on actuarial gain		(354)	(57)	(113)
		1,731	276	551
Items that may be reclassified to profit and loss account				
Exchange differences on translating foreign operations		(272)	(480)	(565)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**1,459**	**(204)**	**(14)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**1,499**	**(904)**	**1,080**
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**40**	**(700)**	**1,094**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**1,499**	**(904)**	**1,080**
Earnings per share from continuing operations attributable to owners of the parent				
- Basic	3	0.3p	(4.4p)	6.9p
- Diluted	3	0.2p	(4.4p)	6.8p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	Unaudited 30 June 2018 £000	Unaudited 30 June 2017 £000	Audited 31 December 2017 £000
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		17,350	17,996	17,440
Property, plant and equipment		276	376	299
Deferred tax assets		-	506	300
TOTAL NON-CURRENT ASSETS		**17,626**	**18,878**	**18,039**
CURRENT ASSETS				
Inventories		14	62	29
Trade and other receivables		7,820	6,698	9,470
Current tax receivable		536	-	1,267
Cash and cash equivalents	7	3,739	1,165	3,064
TOTAL CURRENT ASSETS		**12,109**	**7,925**	**13,830**
TOTAL ASSETS		**29,735**	**26,803**	**31,869**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		2,437	3,206	2,777
Deferred income		9,558	6,598	10,370
Current tax payable		-	19	226
Financial liabilities		33	389	220
Deferred tax liabilities		54	-	-
TOTAL CURRENT LIABILITIES		**12,082**	**10,212**	**13,593**
NON-CURRENT LIABILITIES				
Financial liabilities		35	69	51
Retirement benefit obligations		1,461	4,166	3,750
Provision for liabilities and charges	8	250	250	250
TOTAL NON-CURRENT LIABILITIES		**1,746**	**4,485**	**4,051**
TOTAL LIABILITIES		**13,823**	**14,697**	**17,644**

EQUITY			
Share capital	1,591	1,587	1,589
Share premium	12,531	12,466	12,488
Merger reserve	1,598	1,598	1,598
Shares to be issued	937	910	794
Translation reserve	211	568	483
Retained earnings	(956)	(5,023)	(2,727)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**15,912**	**12,106**	**14,225**
TOTAL EQUITY AND LIABILITIES	**29,735**	**26,803**	**31,869**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited	Unaudited	Audited
	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2018	2017	2017
	£000	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation	81	(627)	797
Adjustments for:			
Depreciation	73	97	186
Amortisation of intangibles	766	691	1,404
Share based payment	143	46	157
Retirement benefit obligations	(328)	(312)	(461)
Finance income	(74)	(167)	(186)
Finance costs	160	168	318
Decrease in deferred contingent consideration	-	(148)	(148)
CASH FLOWS FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL	**821**	**(252)**	**2,067**
Movements in working capital:			
Decrease in inventories	17	678	700
Decrease / (Increase) in trade and other receivables	1,510	(310)	(3,043)
(Decrease)/increase in trade, other payables and deferred income	(1,266)	(1,796)	1,808
Increase in provisions	-	250	-
CASH GENERATED FROM/(USED IN) OPERATIONS	**1,082**	**(1,430)**	**1,532**
Finance income	74	167	186
Finance costs	(21)	(44)	(112)
Income taxes	477	(102)	(214)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**1,612**	**(1,409)**	**1,392**

CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	(672)	(921)	(1,517)
Purchase of property, plant and equipment	(30)	(103)	(117)
Payment of deferred and contingent consideration	(200)	(496)	(687)
Repayment of capital from finance leases	(16)	(15)	(30)
Purchase of subsidiary undertakings (net of cash acquired)	-	-	-
NET CASH USED IN INVESTING ACTIVITIES	**(918)**	**(1,535)**	**(2,351)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	45	5	29
Finance lease interest	(2)	(4)	(6)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**43**	**1**	**23**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**737**	**(2,943)**	**(936)**
Cash and cash equivalents at start of period	3,064	4,189	4,189
Effect of exchange rate changes on the balance of cash held in foreign currencies	(62)	(81)	(189)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,739**	**1,165**	**3,064**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Attributable to owners of the parent

	Called up share capital £000	Share premium £000	Merger reserve £000	Shares to be issued £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2017 (audited)	**1,577**	**12,462**	**1,432**	**864**	**1,048**	**(4,599)**	**12,784**
Loss for the period	-	-	-	-	-	(700)	(700)
Other comprehensive (expense)/income	-	-	-	-	(480)	276	(204)
Total comprehensive (expense)/income	-	-	-	-	(480)	(424)	(904)
Shares issued	10	4	166	-	-	-	180
Share based payment	-	-	-	46	-	-	46
Balance as at 30 June 2017 (unaudited)	**1,587**	**12,466**	**1,598**	**910**	**568**	**(5,023)**	**12,106**
Profit for the period	-	-	-	-	-	1,794	1,794
Other comprehensive income/(expense)	-	-	-	-	(85)	275	190
Total comprehensive income	-	-	-	-	(85)	2,069	1,984
Shares issued	2	22	-	-	-	-	24
Share based payment	-	-	-	111	-	-	111
Reserve transfer on lapse of share options	-	-	-	(227)	-	227	-
Balance as at 31 December 2017 (audited)	**1,589**	**12,488**	**1,598**	**794**	**483**	**(2,727)**	**14,225**
Profit for the period	-	-	-	-	-	40	40
Other comprehensive (expense)/income	-	-	-	-	(272)	1,731	1,459
Total comprehensive (expense)/income	-	-	-	-	(272)	1,771	1,499
Shares issued	2	43	-	-	-	-	45
Share based payment	-	-	-	143	-	-	143
Balance as at 30 June 2018 (unaudited)	**1,591**	**12,531**	**1,598**	**937**	**211**	**(956)**	**15,912**

NOTES TO THE FINANCIAL INFORMATION
For the six months ended 30 June 2018

GENERAL INFORMATION
The principal activity and nature of operations of the Group is the provision of world class IT solutions to the early development healthcare market. Instem's solutions for data collection, management and analysis are used by customers worldwide, to meet the needs of life science and healthcare organisations for data-driven decision making leading to safer, more effective products. Instem plc is a public limited company, listed on AIM, and incorporated in England and Wales under the Companies Act 2006 and domiciled in England and Wales. The registered office is Diamond Way, Stone Business Park, Stone, Staffordshire ST15 0SD, UK.

Notes to the accounts

1. Basis of preparation and accounting policies

Basis of preparation
The Group's half-yearly financial information, which is unaudited, consolidates the results of Instem plc and its subsidiary undertakings made up to 30 June 2018. The Group's accounting reference date is 31 December.

The consolidated financial information is presented in Pounds Sterling (£) which is also the functional currency of the parent.

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It does not therefore include all of the information and disclosures required in the annual financial statements.

The financial information for the six months ended 30 June 2017 and 30 June 2018 is unaudited.

Instem plc's consolidated statutory accounts for the year ended 31 December 2017, prepared under IFRS, have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies
The accounting policies used in the preparation of the financial information for the six months ended 30 June 2018 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those which will be adopted in the annual statutory financial statements for the year ending 31 December 2018. This is the first set of financial statements where IFRS15 *Revenue from Contracts with Customers* has been applied, which is effective for periods commencing 1 January 2018.

IFRS15 is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principle based, five-step model to be applied to all sales contracts. The Board believes it has applied the provisions of the standard correctly in all material respects. Consequently, no changes to the timing of revenue recognition are deemed to be required.

While the financial information included has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), these financial statements do not contain sufficient information to comply with IFRS's.

Instem plc and its subsidiaries have not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK AIM listed groups, in the preparation of this half-yearly financial report.

Cash and cash equivalents
Cash and cash equivalents for the purposes of the Statement of Cash Flows comprise the net of cash and overdraft balances that are shown on the Statement of Financial Position in Cash and Cash Equivalents.

2. Segmental Information

The Directors consider that the Group operates in one business segment - Global Life Sciences, and therefore there are no additional segmental disclosures to be made in these financial statements.

3. Earnings per share

Basic earnings per share are calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential shares arising from the share option scheme. The dilutive impact of the share options is calculated by determining the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

(a) Basic

	Six months ended 30 June 2018 Unaudited	**Six months ended 30 June 2017 Unaudited**	**Year ended 31 December 2017 Audited**
Profit/(Loss) after tax (£000)	**40**	**(700)**	**1,094**
Weighted average number of shares (000's)	15,912	15,785	15,831
Basic earnings/(loss) per share	0.3p	(4.4p)	6.9p

(b) Diluted

	Six months ended 30 June 2018 Unaudited	Six months ended 30 June 2017 Unaudited	Year ended 31 December 2017 Audited
Profit/(Loss) after tax (£000)	**40**	**(700)**	**1,094**
Weighted average number of shares (000's)	15,912	15,785	15,831
Potentially dilutive shares (000's)	860	-*	328
Adjusted weighted average number of shares (000's)	16,772	15,785	16,159
Diluted earnings/(loss) per share	0.2p	(4.4p)	6.8p

*Share options have been excluded from the calculations in accordance with IAS33 - 'Earnings per share' as they are only included where the impact is dilutive.

(c) Adjusted

Adjusted earnings per share is calculated after adjusting for the effect of foreign currency exchange on the revaluation of inter-company balances included in finance income/(costs), non-recurring items and amortisation of intangibles on acquisitions. Diluted adjusted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential shares arising from the share option scheme. The dilutive impact of the share options is calculated by determining the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

	Six months ended 30 June 2018 Unaudited	Six months ended 30 June 2017 Unaudited	Year ended 31 December 2017 Audited
Profit/(Loss) after tax (£000)	**40**	**(700)**	**1,094**
Non-recurring costs/(income) (£000)	373	426	443
Amortisation of acquired intangibles (£000)	446	466	931
Foreign exchange differences on revaluation of intergroup balances (£000)	(110)	(159)	(234)
Adjusted profit after tax (£000)	749	33	2,234
Weighted average number of shares (000's)	15,912	15,785	15,831
Potentially dilutive shares (000's)	860	201	328
Adjusted weighted average number of shares (000's)	16,772	15,986	16,159
Adjusted basic earnings per share	4.7p	0.2p	14.1p
Adjusted diluted earnings per share	4.5p	0.2p	13.8p

4. *Non-recurring costs*

	Six months ended 30 June 2018 Unaudited £000	Six months ended 30 June 2017 Unaudited £000	Year ended 31 December 2017 Audited £000
Cost provision relating to historical contract disputes	-	(250)	(250)
Professional fees	(338)	-	-
Restructuring costs	(35)	(324)	(341)
Amendment to contingent consideration post acquisition	-	148	148
	(373)	**(426)**	**(443)**

5. *Finance income*

	Six months ended 30 June 2018 Unaudited £000	Six months ended 30 June 2017 Unaudited £000	Year ended 31 December 2017 Audited £000
Foreign exchange gains	72	167	184
Other interest	2	-	2
	74	167	186

6. *Finance costs*

	Six months ended 30 June 2018 Unaudited £000	Six months ended 30 June 2017 Unaudited £000	Year ended 31 December 2017 Audited £000
Bank loans and overdrafts	21	44	112
Unwinding discount on deferred consideration	12	56	71
Net interest on pension scheme	125	64	129
Finance lease interest	2	4	6
	160	168	318

7. *Cash and cash equivalents*

	30 June 2018 Unaudited £000	30 June 2017 Unaudited £000	31 December 2017 Audited £000
Cash at bank	12,737	10,163	12,062
Bank overdraft	(8,998)	(8,998)	(8,998)
	3,739	1,165	3,064

8. Provision for liabilities and charges

	30 June 2018 Unaudited £000	30 June 2017 Unaudited £000	31 December 2017 Audited £000
At beginning of the period	250	-	-
Increase in provisions	-	250	250
At end of period	250	250	250

The provision relates to potential costs arising from historical contract disputes (see note 4).

9. Availability of this Interim Announcement

Copies of the Interim Report will be available to download from the Group's website (www.instem.com) or available to order from the registered office of the Group.