19 September 2016

Instem plc

(“Instem”, the “Company” or the “Group”)

Half Yearly Report

Instem plc (AIM: INS.L), a leading provider of IT solutions to the global early development healthcare market, announces its unaudited half year results for the six months ended 30 June 2016.

Financial Highlights

- Revenues increased 21% to £9.1m (H1 2015: £7.5m)
    - Recurring revenues increased 6% to £5.3m (H1 2015: £5.0m)
- EBITDA* increased 34% to £1.2m (H1 2015: £0.9m)
- Adjusted** profit before tax of £1.0m (H1 2015: £0.7m)
- Profit before tax of £0.1m (H1 2015: £0.3m)
- Basic earnings per share of 0.4p (H1 2015: 1.6p)
- Adjusted** basic earnings per share of 6.3p (H1 2015: 5.1p)
- Seasonal net operating cash outflow of £1.5m (H1 2015: £1.0m)
- Net cash balance as at 30 June 2016 of £4.8m (H1 2015: £0.1m)

**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

- Secured a long-term relationship with Charles River Laboratories, by far the largest pre-clinical CRO (contract research organisation) in the industry
- Signed six SEND Submit™ contracts, including one with a global top ten pharmaceutical company, totalling in excess of US$1.6 million
- In February, with strong support from new and existing investors, Instem raised £4.7m net of expenses, to fund acquisitions and working capital
- Samarind, the UK-based provider of Regulatory Information Management (“RIM”) software and services to the life sciences sector was acquired in May
- Forward investment in staff and facilities to maximise the SEND opportunity

Post period Highlights

- Completed the acquisition of France-based Notocord® Systems SAS, a software solutions provider for data acquisition and analysis.

Phil Reason, CEO of Instem plc, commented:

"The encouraging market dynamics in early drug development, including the new regulatory requirements driven by the Standard for the Exchange of Non-Clinical Data ("SEND"), have supported year-on-year revenue and underlying profit growth in the first half of 2016. The acquisitions of Samarind in May and Notocord in September add to a strong pipeline of new business opportunities through the remainder of 2016 and into 2017."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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About Instem

Instem is a leading supplier of IT applications and services to the early development healthcare market delivering compelling solutions for data collection, analysis and regulatory submissions management. Instem solutions are in use by customers worldwide, meeting the rapidly expanding needs of life science and healthcare organisations for data-driven decision making leading to safer, more effective products.

Instem's portfolio of software solutions increases client productivity by automating study-related processes while offering the unique ability to generate new knowledge through the extraction and harmonisation of actionable scientific information.

Instem supports over 500 clients through offices in the United States, United Kingdom, France, Japan, China and India.

To learn more about Instem solutions and its mission, please visit www.instem.com

Chairman's Statement

The first half of 2016 has been a particularly exciting period for the Group. We have delivered another period of organic growth for the Group whilst completing a number of strategic initiatives which will enhance the long term development of the business.

In February we completed an oversubscribed placing of shares, to raise £5.0m, before fees and expenses, at 200p per share, in order to fund growth through acquisitions, in line with our business strategy and further organic growth. Subsequently the Group has completed the acquisition of Samarind Limited ("Samarind") and Notocord® Systems SAS ("Notocord") which complement and strengthen our existing pre-clinical and regulatory software offerings. Both acquisitions are expected to be accretive to earnings in 2016 and beyond.

In May, we announced the acquisition of Samarind for a maximum consideration of £2.5m. Samarind extends Instem's software portfolio, as well as offering additional opportunities for the provision of out-sourced regulatory services. Post the period end we announced the acquisition of Notocord® in September, for a maximum consideration of €4.2m (c. £3.6m). We are now in the process of integrating these two acquisitions and analysing several cross-selling opportunities.
We were particularly pleased to negotiate a single agreement covering the provision of Instem products and services to Charles River Laboratories ("CRL") resolving any uncertainty created by the recent industry consolidation between CRL and WIL Research ("WIL"). This new agreement covers all current CRL and former WIL sites and secures the continuation of all current licenses, an extended support and maintenance contract, running through to 31st December 2022, and the integration of two sizable Provantis® and submit™ implementation projects.

As the initial December 2016 regulatory compliance milestone approaches, Instem's portfolio of solutions and services to satisfy SEND, which is mandated by the U.S. Food and Drug Administration ("FDA"), has been in particular demand. Instem is continuing to invest to maximise its share of this developing market over the coming years, which we believe will increasingly require the provision of our specialist services. During the period, Instem signed six SEND Submit™ contracts, including one with a global top ten pharmaceutical company, totalling in excess of US$1.6 million.

Importantly, during the period our overall market has remained strong as the industry experienced further growth in the number of early stage drug candidates.

Finally, I would like to take this opportunity once again to thank all of our staff, customers and partners for their ongoing support.

David Gare
Non-Executive Chairman
19 September 2016

Operational Review
The six months to 30 June 2016 represented a period of continued growth for the Group as early phase life sciences research and product development continued to flourish.

In anticipation of the growth opportunities within our market, Instem raised £4.7 million (net of fees and expenses) in February 2016 to fund targeted strategic acquisitions and to provide working capital to enhance organic growth. It has since delivered two earnings enhancing acquisitions in the form of UK-based Samarind and France-based Notocord®.

Samarind
Samarind is based in Deeside, UK and provides Regulatory Information Management ("RIM") software ("Samarind RMS") and services to the life sciences sector. Its solutions significantly enhance the quality of regulatory information and help to achieve and maintain compliance for pharmaceutical, biotech and medical device products.

The Samarind RIM software and services offer the security, flexibility and ease of use that regulatory affairs teams need to achieve and exceed their regulatory and commercial requirements. Deployed on-site or accessed on-line, Samarind's solutions provide a smarter way to manage the acquisition and maintenance of product licences.

In its last financial year ended 31 March 2016, Samarind reported sales of £1.2m and operating profits of £0.4m and the acquisition is expected to be earnings enhancing in 2016. As at 27 May 2016, Samarind had net assets of approximately £0.04m, including £0.7m of cash, with no debt.

Notocord®
Founded in 1989, and based in Paris, France and New Jersey, United States with 16 employees, Notocord® provides software solutions for data acquisition and analysis and is a highly respected name in the life sciences software industry.

Notocord® solutions are used every day by top scientists for new drug development research within discovery, safety pharmacology and toxicology studies. Its most widely used solution is Notocord-hem®, a telemetry-based safety pharmacology data collection system for preclinical studies, which is recognised as a leading software solution for cardiovascular, respiratory, electrophysiology and nervous system research.

Notocord® has sold more than 1,500 licences around the world to major pharmaceutical companies, contract research laboratories, hospitals and academic research centres. Customers include Sanofi, Merck & Co and Pfizer.

In its last financial year ended 31st December 2015, Notocord® reported sales of €2.25m and operating profits of €0.7m and the acquisition is expected to be earnings enhancing in 2016. As at 31 May 2016, Notocord® had pro forma net assets of approximately €0.03m, with no debt. The pro forma net assets are based on a normalised level of working capital and exclude cash distributed to the shareholders of Notocord prior to completion.

Post period end Jerry Hacker was recruited as Senior Vice President of Global Sales, with a remit to extend Instem's penetration of the early development software solutions market, while helping to develop a significant out-sourced services business.

Pre-clinical – Provantis® and Perceptive Instruments
Pre-clinical represents approximately 90% of total revenue for the Group and we are pleased to report activity in this market segment remains strong.

The multi-year agreement with Charles River Laboratories, although resulting in reduced revenue in future years, provides greater revenue visibility, opportunities for an extended range of services and enhanced cash receipts in 2016 and 2017.

Given all US based Provantis SaaS clients were upgraded to the latest version of the software in the previous year, new installation opportunities were limited. However, the improved data centre infrastructure ensured operating margins were maintained.

Perceptive continued to benefit from being part of the enlarged Instem Group and capitalised on various cross-selling opportunities of its high value AMES study manager and Cyto Study Manager solutions across both China and North America.

Early Stage Clinical – ALPHADAS™
Following a particularly strong year for ALPHADAS in 2015, as stated in the trading update in August, there was less new business placed in the market than anticipated, although the pipeline for the next 12 months is strong. The first half of 2016 therefore represented a period of consolidation for the Group with implementation projects for the new 2015 clients and existing customers upgrading to the latest version of the software.

Significant new ALPHADAS product releases were made in the period, with functionality targeting both current clients and the strong pipeline of new business prospects.

Instem Scientific
The re-utilisation of scientific data has never been more important. Instem Scientific's solutions have been designed for clients to leverage large volumes of public and proprietary historic data that deliver true insight, enabling them to create additional value from prior research using consolidated healthcare intelligence.

During the period, Instem won seven KnowledgeScan™ Target Safety Assessment assignments for five organisations, including three of the world's leading biotechnology companies. All have been delivered in the second and third quarters of 2016 and client feedback has been positive.

Electronic Regulatory Submissions (SEND) – submit™
Over the last 10 years the Instem team has led and participated in the creation of the SEND standard and brings over 30 years of experience in developing, delivering and supporting world-class nonclinical systems and solutions for the scientific community.

The FDA's SEND initiative was ratified in December 2014 and its implementation is now a market imperative for the entire drug development industry. Mandatory compliance comes into effect from December 2016.

During the period our long-term leadership of this market was reinforced and our acquisition of Samarind has enhanced our existing lines of business and extended our addressable market.

Financial Review
Instem's revenue model consists of a blend of fees for SaaS subscriptions, perpetual licences, annual support fees and professional services. Revenues increased 21% in the period from £7.5m to £9.1m, of which approximately £5.3m (H1 2015 £5.0m) were recurring in nature, derived from annual support fees, SaaS subscriptions and upgrade services. Included in the 2016 total revenue was a £0.6m fee arising from the termination of an existing contract that was subsequently renegotiated.

Earnings from operations before interest, tax, depreciation, amortisation and non-recurring items, ('EBITDA') for the period, were £1.2m (H1 2015: £0.9m). Operating expenses increased by £1.2m in the half year over the equivalent period in 2015, largely due to the investment in staff and facilities to address the future SEND opportunity and due to one month's addition of Samarind Limited.

Amortisation was £0.4m compared with the equivalent period in 2015 (H1 2015: £0.5m).
Development expenditure in the period was £1.0m (H1 2015: £0.9m), of which £0.1m was capitalised (H1 2015: £0.2m).

Instem's operating cash flow continues to display some seasonality, with cash inflow being weighted towards the second half of the year, resulting from the level of annual fee renewals occurring at the year end.

The Company benefited from an oversubscribed fund raising in February of £4.7m (net of fees and expenses) that provided the Group with acquisition fire power plus additional working capital. The Samarind acquisition consumed £1.4m of those funds through the payment of the initial consideration and deal fees. Net cash at the end of June 2016 totalled £4.8m, which excluding the remaining funds set aside for the acquisition of Notocord and deferred consideration on Samarind, was £1.8m (H1 2015: £0.1m) compared with £2.2m at December 2015.

The funding deficit of Instem's defined benefit pension scheme had a net increase of £0.6m to £4.5m during the period, calculated in accordance with the provisions of IAS19, primarily as a result of changes in assumptions over future discount rate and returns on assets.

In line with our current policy to capitalise on the available growth opportunities, the Board has not recommended the payment of a dividend.

Post balance sheet event
Following the end of the accounting period, on 5th September 2016 the Group announced that it had acquired Notocord. The total consideration, to be satisfied in cash, will be up to €4.2m (c. £3.6m), net of any cash acquired adjusted for a normalised level of working capital. Further details will be included in the full year results for the year ending 31 December 2016.

Principal risks and uncertainties
The principal risks and uncertainties remain unchanged from those described in our 2015 Annual Report.

Outlook
The encouraging market dynamics in early drug development, including the new regulatory requirements driven by SEND, have supported year-on-year revenue and profit growth in the first half of 2016. The acquisitions of Samarind in May and Notocord in September add to a strong pipeline of new business opportunities through the remainder of 2016 and into 2017.

Phil Reason
Chief Executive
19 September 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June 2016 £000	Unaudited Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
REVENUE		9,052	7,479	16,321
Operating expenses		(7,699)	(6,500)	(13,553)
Share based payment		(154)	(85)	(263)
EARNINGS BEFORE INTEREST, TAXATION DEPRECIATION, AMORTISATION AND NON RECURRING ITEMS (“EBITDA”)		1,199	894	2,505
Depreciation		(77)	(98)	(156)
Amortisation of intangibles arising on acquisition		(268)	(320)	(640)
Amortisation of internally generated intangibles		(157)	(194)	(376)
PROFIT BEFORE NON RECURRING COSTS		697	282	1,333
Non-recurring costs	4	(126)	-	(1,426)
PROFIT/(LOSS) AFTER NON-RECURRING COSTS AND BEFORE FINANCE COSTS		571	282	(93)
Finance income		3	108	4
Finance costs	5	(446)	(116)	(272)
PROFIT/(LOSS) BEFORE TAXATION		128	274	(361)
TAXATION	6	(67)	(75)	(67)
PROFIT/(LOSS) FOR THE PERIOD		61	199	(428)
OTHER COMPREHENSIVE EXPENSE				
Items that will not be reclassified to profit and loss account				
Actuarial loss on retirement benefit obligations		(875)	(339)	(339)
Deferred tax on actuarial loss		157	68	61
		(718)	(271)	(278)
Items that may be reclassified to profit and loss account				
Exchange differences on translating foreign operations		454	(28)	(24)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		(264)	(299)	(302)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(203)	(100)	(730)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		61	199	(428)
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		(203)	(100)	(730)
Earnings per Share from continuing operations				
- Basic	3	0.4p	1.6p	(3.5p)
- Diluted	3	0.4p	1.6p	(3.5p)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	14,390	11,953	12,035
Property, plant and equipment	359	392	376
Deferred tax assets	534	543	663
TOTAL NON-CURRENT ASSETS	15,283	12,888	13,074
CURRENT ASSETS			
Inventories	1,045	798	822
Trade and other receivables	6,371	5,595	4,745
Cash and cash equivalents	4,755	1,600	2,183
TOTAL CURRENT ASSETS	12,171	7,993	7,750
TOTAL ASSETS	27,454	20,881	20,824
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	-	1,540	-
Trade and other payables	2,237	1,411	1,797
Deferred income	6,897	6,415	7,107
Current tax payable	599	406	541
Financial liabilities	1,118	1,318	385
TOTAL CURRENT LIABILITIES	10,851	11,090	9,830
NON-CURRENT LIABILITIES			
Financial liabilities	600	435	448
Retirement benefit obligations	4,511	3,952	3,933
TOTAL NON-CURRENT LIABILITIES	5,111	4,387	4,381
TOTAL LIABILITIES	15,962	15,477	14,211
EQUITY			
Share capital	1,571	1,221	1,304
Share premium	12,373	7,892	7,903
Merger reserve	1,432	(326)	1,241
Shares to be issued	686	463	641
Translation reserve	658	200	204
Retained earnings	(5,228)	(4,046)	(4,680)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	11,492	5,404	6,613
TOTAL EQUITY AND LIABILITIES	27,454	20,881	20,824

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June 2016 £000	Unaudited Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation	128	274	(361)
Adjustments for:			
Depreciation	77	98	156
Amortisation of intangibles	425	514	1,016
Share based payment	154	85	263
Retirement benefit obligations	(367)	(337)	(427)
Finance income	(3)	(108)	(4)
Finance costs	446	116	272
Increase in contingent consideration	-	-	1,361
CASH FLOWS FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL	860	642	2,276
Movements in working capital:			
Increase in inventories	(156)	(297)	(313)
Increase in trade and other receivables	(599)	(1,238)	(71)
(Decrease)/increase in trade, other payables and deferred income	(1,663)	(267)	493
CASH (USED IN)/GENERATED FROM OPERATIONS	(1,558)	(1,160)	2,385
Finance costs	(9)	(34)	(86)
Income taxes	42	199	205
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,525)	(995)	2,504
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	3	-	4
Purchase of intangible assets	(138)	(28)	(612)
Purchase of property, plant and equipment	(39)	(72)	(113)
Payment of contingent consideration	-	(598)	(950)
Repayment of capital from finance leases	(18)	-	(8)
Purchase of subsidiary undertakings	(1,313)	-	-
Cash acquired in subsidiary	697	-	-
NET CASH USED IN INVESTING ACTIVITIES	(808)	(698)	(1,679)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	4,728	-	12
Loan note repaid	-	-	(303)
Finance lease interest	(5)	-	(4)
NET CASH GENERATED FROM/(USED) IN FINANCING ACTIVITIES	4,723	-	(295)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,390	(1,693)	530
Cash and cash equivalents at start of period	2,183	1,676	1,676
Effect of exchange rate changes on the balance of cash held in foreign currencies	182	77	(23)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,755	60	2,183

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Attributable to the 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 2015 (audited)	1,221	7,892	(326)	378	228	(3,974)	5,419
Profit for the period	-	-	-	-	-	199	199
Other comprehensive expense	-	-	-	-	(28)	(271)	(299)
Total comprehensive expense	-	-	-	-	(28)	(72)	(100)
Share based payment	-	-	-	85	-	-	85
Balance as at 30 June 2015 (unaudited)	1,221	7,892	(326)	463	200	(4,046)	5,404
Loss for the period	-	-	-	-	-	(627)	(627)
Other comprehensive income/(expense)	-	-	-	-	4	(7)	(3)
Total comprehensive income/(expense)	-	-	-	-	4	(634)	(630)
Shares issued	83	11	1,567	-	-	-	1,661
Share based payment	-	-	-	178	-	-	178
Balance as at 31 December 2015 (audited)	1,304	7,903	1,241	641	204	(4,680)	6,613
Profit for the period	-	-	-	-	-	61	61
Other comprehensive expense	-	-	-	-	454	(718)	(264)
Total comprehensive income/(expense)	-	-	-	-	454	(657)	(203)
Shares issued	267	4,470	191	(109)	-	109	4,928
Share based payment	-	-	-	154	-	-	154
Balance as at 30 June 2016 (unaudited)	1,571	12,373	1,432	686	658	(5,228)	11,492

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2016

GENERAL INFORMATION
The principal activity of Instem plc and its subsidiaries is the provision of world class IT systems and services for the global life sciences community.

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 2016. The Group's accounting reference date is 31 December.

The Group is a public limited liability Group incorporated and domiciled in England & Wales. 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 2015 and 30 June 2016 is unaudited.

Instem's consolidated statutory accounts for the year ended 31 December 2015, 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 2016 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 2016.

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 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 and Current Financial Liabilities.

2. Segmental Information

The Directors consider that the Group operates in one business segment, being IT solutions to the global early development healthcare market, and that 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 period. 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 2016 Unaudited	Six months ended 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
Profit/(loss) after tax (£000)	61	199	(428)
Weighted average number of shares (000's)	14,865	12,212	12,398
Basic earnings/(loss) per share (p per share)	0.4	1.6	(3.5)

(b) Diluted

	Six months ended 30 June 2016 Unaudited	Six months ended 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
Profit/(loss) after tax (£000)	61	199	(428)
Weighted average number of shares (000's)	14,865	12,212	12,398
Potentially dilutive shares (000's)	384	177	-*
Adjusted weighted average number of shares (000's)	15,249	12,389	12,398
Diluted earnings/(loss) per share (p per share)	0.4	1.6	(3.5)

*Potentially dilutive share options have been excluded from the calculations as 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 the 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 2016 Unaudited	Six months ended 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
Profit/(loss) after tax (£000)	61	199	(428)
Non-recurring costs (£000)	126	-	1,426
Amortisation of acquired intangibles (£000)	268	320	640
Foreign exchange differences on revaluation of intergroup balances (£000)	476	109	6
Adjusted profit after tax (£000)**	931	628	1,644
Weighted average number of shares (000's)	14,865	12,212	12,398
Potentially dilutive shares (000's)	384	177	337
Adjusted weighted average number of shares (000's)	15,249	12,389	12,735
Adjusted basic earnings per share (p per share)	6.3	5.1	13.3
Adjusted diluted earnings per share (p per share)	6.1	5.1	12.9

4. Non recurring costs

There were non-recurring costs of £126,000 in the period (H1 2015: £nil) relating to the acquisition of Samarind Limited and initial proposed acquisition of Notocord Systems SAS.

5. Finance costs

	Six months ended 30 June 2016 Unaudited £000	Six months ended 30 June 2015 Unaudited £000	Year ended 31 December 2015 Audited £000
Bank loans and overdrafts	9	27	86
Unwinding discount	11	19	36
Net interest on pension scheme	70	70	140
Foreign exchange losses	351	-	6
Finance lease interest	5	-	4
	446	116	272

6. Taxation on ordinary activities

	Six months ended 30 June 2016 Unaudited £000	Six months ended 30 June 2015 Unaudited £000	Year ended 31 December 2015 Audited £000
Current tax:			
Corporation tax	30	-	98
Foreign tax	102	221	411
Foreign tax in respect of prior years	-	-	(302)
Adjustments in respect of prior years	-	-	61
Adjustments in respect of R&D tax credit	(75)	(245)	(173)
Total current tax	57	(24)	95
Deferred tax:			
Current year (charge)/credit	(44)	99	(315)
Adjustment in respect of previous years	-	-	157
Retirement benefit obligation	54	-	130
Total deferred tax	10	99	(28)
Income tax expense	67	75	67

7. Acquisition of Samarind Limited

Subsidiary acquired

2016	**Principal activity**	**Date of acquisition**	**Proportion of voting equity interests acquired %**	**Consideration £000**
Samarind Limited	Provider of Regulatory Information Management software and services to Life Science sector	27 May 2016	100	2,417

Samarind Limited was acquired to continue the expansion and development of the Group's capabilities in the Global Life Sciences sector.

Consideration

	£000
Initial cash consideration (including £13k stamp duty)	1,313
Initial share consideration	200
Deferred consideration (27 May 2017) – to be settled in cash or shares	450
Contingent consideration (27 May 2017) – to be settled in cash or shares	350
Deferred consideration (27 May 2018) – to be settled in cash or shares	200
	2,513
Discounting of estimated future cashflows	(96)
Total consideration estimate at 30 June 2016	2,417

The contingent consideration is based on certain performance related conditions in respect of the first twelve months. The deferred contingent consideration in the table above is based on the forecasted estimate that the performance related conditions will be fully met and the full consideration will be payable.

Acquisition related costs amounting to £66,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the 'Non-recurring costs' line item in the condensed consolidated statement of comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	Provisional fair value £000
Non-Current Assets	
Intellectual property	992
Customer related assets	538
Property, plant and equipment	16
Current Assets	
Trade and other receivables	101
Cash and cash equivalents	697
Current tax	36
Current Liabilities	
Trade and other payables	(398)
Deferred income	(404)
Non-Current Liabilities	
Deferred tax on acquisition	(275)
Fair value of identifiable net assets acquired	1,303

Goodwill arising on acquisition

	£000
Consideration transferred	2,417
Less: fair value of identifiable net assets acquired	(1,303)
Goodwill arising on acquisition	1,114

The provisional impact of the acquisition on the Group's assets and liabilities is set out above. The fair value of the assets and liabilities may be adjusted for circumstances that are revealed within 12 months of the date of the acquisition. The provisional value of goodwill arose on the acquisition of Samarind Limited because the premium paid by the Company reflects the expected benefit of synergies, revenue growth and future market development. Samarind Limited was acquired to expand and enhance the Group's product and service offering within the Global Life Sciences operating segment. These benefits have not been recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

8. Post balance sheet event

Following the end of the accounting period, on 5th September 2016 the Company announced that it had acquired Paris-based, Notocord Systems SAS. The total consideration, to be satisfied in cash, will be up to €4.2m (c. £3.6m), net of any cash acquired adjusted for a normalised level of working capital. Further details will be included in the full year results for the year ending 31 December 2016 when a full fair value review will have been undertaken.

9. Availability of this Interim Announcement

Copies of this announcement are available on the Group's website, www.instem.com. Copies of the Interim Report will shortly be available to download from the Group's website and from the registered office of the Group.

INDEPENDENT REVIEW REPORT TO INSTEM PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2016 which comprises of the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Statement of Changes in Equity and the related explanatory Notes that have been reviewed. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “'Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with the presentation, recognition and measurement criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements, as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with the presentation, recognition and measurement criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union, and the AIM Rules of the London Stock Exchange.

RSM UK Audit LLP
Chartered Accountants
3 Hardman Street
Manchester M3 3HF

19 September 2016