4 April 2016

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

Unaudited Full Year Results

Instem (AIM: INS.L), a leading provider of IT solutions to the global early development healthcare market, announces its unaudited full year results for the 12 months ended 31 December 2015.

Financial Highlights:

- Revenues increased 22% to £16.3m (2014: £13.4m)
    - *Recurring revenues increased 9% to £10.0m (2014: £9.2m)*
    - *Software as a Service (SaaS) revenues increased 14% to £2.1m (2014: £1.8m)*
- EBITDA* increased 43% to £2.5m (2014: £1.7m)
- Adjusted** profit before tax of £1.7m (2014: £1.1m)
- Loss before tax of £0.4m (2014: profit £0.2m)
    - *After charging £1.4m of previously announced deferred contingent consideration (2014: £nil)*
- Adjusted** basic earnings per share of 13.3p (2014: 8.4p)
- Adjusted** fully diluted earnings per share of 12.9p (2014: 8.3p)
- Net cash balance as at 31 December 2015 of £2.2m (2014: £1.7m)
    - *After paying £1.3m of deferred contingent consideration (2014: £0.3m)*

**Earnings before interest, tax, depreciation, amortisation and non-recurring costs.*
***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. Profit is adjusted in this way to provide a clearer measure of underlying operating performance.*

Operational Highlights:

- Final deferred contingent consideration was paid for Perceptive Instruments and agreed early for Instem Clinical (formerly Logos Technologies) after both exceeded performance criteria.
- Significant ALPHADAS Contract wins included three announced in May 2015 worth approximately £1.4 million.
- Won the majority of SEND business placed worldwide.
- Instem Japan incorporated and Tokyo office opened.

Post Balance Sheet Event

In February 2016 the Company announced it had raised £5.0 million (before expenses) by way of a placing of 2,500,000 New Ordinary Shares, at a price of 200 pence per ordinary share, with certain new and existing investors. The net proceeds are intended to be used in the near term primarily to fund growth through acquisition and also for working capital to enhance organic growth.

Phil Reason, CEO of Instem plc, commented:

"Our core addressable markets continue to grow in terms of the number of potential customers and the absolute size. Our products and services recorded significant year-on-year revenue growth during 2015 and we are pleased to report that we entered the new financial year with a strong forward order book. Regulatory requirements and the enlarged drug R&D pipeline are expected to continue to stimulate demand for Instem's solutions and services.

The recently strengthened balance sheet provides opportunities to invest further in our core products and services, accelerate the development of new offerings such as KnowledgeScan and SEND submit™ and play a significant role in consolidating the industry in which we operate.

We therefore look forward to the coming year with confidence and expect to deliver further operational and financial progress."

For further information, please contact:

Instem plc **+44 (0) 1785 825 600**
Phil Reason, Chief Executive Officer
Nigel Goldsmith, Chief Financial Officer

N+1 Singer (Nominated Adviser & Broker) **+44 (0) 207 496 3000**
Richard Lindley
Nick Owen
James White

Wallbrook Financial PR **+44 (0) 207 933 8000**
Paul Cornelius
Helen Cresswell
Sam Allen
Paul Whittington

About Instem

Instem is a leading supplier of IT applications to the early development healthcare market, delivering compelling solutions for data collection, management and analysis across the R&D continuum. Instem applications 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 450 clients through full service offices in the United States, the United Kingdom, India, China and Japan, with additional presence in France.

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

Chairman's Statement

The positive market dynamics experienced at the end of 2014 continued throughout the year, providing an encouraging backdrop for the development of the Group. I am, therefore, pleased to be able to report that all areas of business achieved successful outcomes for the year.

Consequently, not only has the Group increased revenue and underlying profits during the year, but we are also increasingly optimistic about 2016.

We have maintained our pre-eminent position in the preclinical market whilst also winning the majority of business placed globally in the early clinical market.

A highlight of the year was the market leadership demonstrated by our team offering Standard for the Exchange of Non-clinical Data (SEND) software and services: where we once again secured the majority of business placed during 2015. This was particularly important following the announcement from the US Food & Drug Administration ("FDA") mandating SEND at the end of 2014.

A cornerstone of our global leadership strategy for each of our product lines is to ensure that we are able to provide sales and service facilities locally wherever there are substantial groupings of customers. Consequently, we opened an office in Tokyo, Japan, complementing existing Instem Asian locations in Pune, India and Shanghai, China. We expect the Instem Japan facility to start to contribute to our revenues during 2016.

At a corporate level we were pleased to make the final payment for the Perceptive Instruments' acquisition as a result of it exceeding our targets. Further, in December 2015, we announced the early agreement of the Instem Clinical (formerly Logos Technologies) earn-out. Given this business had out-performed in each of its prior earn out years, the Board determined that in order to maximise its potential it was appropriate to fully align the objectives of both its shareholders, who include key managers in the business and the Group.

Following the end of the financial year, in February 2016 the Company announced it had raised £5.0 million (before expenses) by way of a placing of 2,500,000 New Ordinary Shares with new and existing investors. The Board intends to use the proceeds of this placing, along with existing cash resources, to continue the Group's acquisition strategy and to provide additional working capital. We believe that having the funding in place will be of significant benefit for the execution of this strategy, as a result of providing certainty to potential vendors during the negotiation of deal terms.

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
4 April 2016

Chief Executive's Statement

The twelve months to 31 December 2015 represented another year of significant financial and operational progress across the Group.

The year began with a record order book and a strengthening market backdrop. This was converted into revenue through successful contract execution, supplemented by winning and delivering new business contracts throughout the year.

Notably in 2015, both our clinical and preclinical products and services gained traction, as a result of record numbers of compounds progressing through the early stages of the drug development pipeline. Our laboratory workflow automation solutions were selected to deliver efficiencies, replacing "paper" records, legacy in-house applications or ageing commercial systems. Further, new regulatory requirements also drove the adoption of Instem's technology. Once again, there was a blend of perpetual license sales and operationally effective SaaS deployments, with recurring revenue growing in absolute terms year-on-year. This provides the business with increased revenue visibility and long-term stability.

Importantly for the Group as a whole, the growth experienced in the preclinical market during 2014 now appears to be flowing through into increased activity levels within the early clinical phase of drug development. Consequently, ALPHADAS, the Group's leading early phase clinical software platform, generated record levels of new business.

The Group continues to attract some of the most capable people in the industry, appointing senior new hires within the SEND business and establishing an office in Tokyo, Japan. This office will support distributors and customers across the region.

Operational Review

All areas of the Group are now taking advantage of Instem's global operations with marketing, sales, service delivery and client support now available through offices in the UK, North America, China, India and Japan. Although the Group has operated successfully in Japan through local distributors, establishing an Instem presence is expected to increase demand, in what is the second highest spending nation in the world on pharmaceutical research and development.

The Group's Pune, India operation has moved into much larger premises to accommodate the further expansion of software development, back office services and, increasingly, client related service delivery activities. Pune enjoys a reputation for academic excellence and is one of India's most attractive cities in which to live; enabling us to secure both local talent and exceptional candidates from other areas of the country.

Preclinical – Provantis® & Perceptive Instruments

Opportunities for Provantis and Perceptive Instruments solutions within the preclinical market continued to increase during the year as study volumes, mostly carried out by Contract Research Organisations (CROs), accelerated. The Group's "best-of-breed" products increased their share of the preclinical market as customers sought to leverage additional modules and new software features with both new and existing clients increasingly adopting operationally effective SaaS based deployments.

Provantis, the Group's primary preclinical software suite, continued to win licence sales across the Group's client base with continued displacement of legacy in-house systems as new implementation projects progressed during the year. By the end of the first half of 2015, all the Group's US-based SaaS customers were running the latest product versions, enabling us to achieve higher quality support and increased effectiveness of our delivery infrastructure.

Perceptive Instruments ("Perceptive") continued to perform strongly as part of an enlarged business. In particular, Perceptive had success in up-selling higher value modules, such as AMES study manager and Cyto Study Manager, into existing Instem clients. During the year, due to the strong financial performance of Perceptive for the period to November 2014, the Group paid the vendors the maximum consideration for the acquisition, in accordance with the original acquisition agreement.

Perceptive is located in Suffolk, UK, and develops, manufactures and supplies software and hardware products for in-vitro study management and data collection in the genetic toxicology, microbiology and immunology markets. Perceptive is the leading technology provider within its niche market and there are few competitors, of any scale, active in the space.

Early Stage Clinical – ALPHADAS™

Our ALPHADAS early phase clinical software solution performed particularly well during 2015. We added five new clients across mainland Europe, Canada and the USA and additional sites/users for existing clients. New releases of ALPHADAS have been widely implemented by existing customers, delivering important new capabilities and enticing clients to adopt further modules from the product suite.

Instem entered the early phase clinical market in 2013 with the acquisition of Logos Technologies, now Instem Clinical, and its product suite ALPHADAS. Since the acquisition, ALPHADAS revenues have grown strongly and it is now a core offering of the Group.

Instem Scientific

The transition of Instem Scientific, from a software products business to an 'outcome-led' managed service, continued during the year, with further investment in "KnowledgeScan". KnowledgeScan allows our specialist investigators to provide rigorous insight into potential and observed issues during all stages of new compound development, by combining powerful information technology with transparent, systematic and comprehensive analytical workflows. The service leverages the Group's powerful big-data technology assets and is designed to monitise the Group's expertise across its extensive scientific content, ontologies and vocabularies, which have been developed over multiple projects during the last 10 years.

We believe this outcome-led service fits well with the ongoing restructuring across the pharmaceutical industry, which has led to a significant increase in R&D outsourcing. Whilst the financial benefits of Instem Scientific may not be felt by the wider Group immediately, pilot KnowledgeScan projects have progressed extremely well during the year and keep Instem at the leading edge of this field of development.

Electronic Regulatory Submissions (SEND) – submit™

As highlighted in the half-year statement, the new business pipeline for both our software solutions and SEND ("Standard for the Exchange of Non-clinical Data") data set conversion services continued to increase month-on-month during the year as the new electronic regulatory submission standard started to become mandatory in our client community.

Pleasingly, Instem continued to secure the overwhelming majority of all new business placed in this area, converting some of this into revenue in 2015 with the balance contributing to the strong opening order backlog for 2015. We continue to believe that Instem's submit™ software suite offers the most advanced product to meet the requirements of the SEND standard.

As a direct consequence of the increased demand for SEND, the Group further strengthened the submit™ development, sales and implementation teams during the year. In particular, two highly experienced market facing consultants were hired, both of whom have been key members on the SEND committee for over 10 years. We expect these consultants to gain further traction for submit™ during 2016 and beyond.

Market Overview

Citeline®, which claims to have the world's most comprehensive source of real-time R&D intelligence for the pharmaceutical industry, recently reported that the global drug pipeline had increased by 11.5% in the past year with an additional 1,418 drugs added to the pipeline (993 were added in the previous year). The total number of companies with one or more drugs in the regulatory stages of development has now risen to 3,687, an increase of 12.2% on the previous year. This is the biggest increase ever in terms of numbers of companies and the second largest percentage-wise.

Following the record growth recorded in 2014, 2015 again represented the largest annual drug pipeline rise on record, in absolute terms, and there is further evidence that the global pharmaceutical market is still moving resources from late stage clinical development into early stage candidates in order to refill the R&D pipeline.

These drug development activities require specialist services and technologies, with a particular focus on IT solutions, which enable organisations to reduce timelines, improve cost efficiencies and ensure they are able to meet ever-increasing regulatory demands.

Preclinical market

The 2016 pipeline shows increases at all phases of development, but the preclinical phase shows the largest rise, with the number of projects up by 13.2% as shown in the recent Citeline® report.

With increased preclinical study volume helping to create opportunities with their pharma sponsors, preclinical CROs continue to report strong demand in North America and increased demand in Europe and Japan in comparison with 2014. Consequently, numerous CROs have been adding or looking to add additional capacity organically or through acquisition. On 7th January 2016 Charles River Laboratories announced its intention to acquire WIL Research and public announcements have talked of continued growth and expansion following completion of the transaction. Both of these large CROs are heavily committed Instem clients and we expect the impact of the merger on Instem will become clearer during 2016.

Early Stage Clinical market

The Citeline® report details significant growth in the clinical stage of drug development, with 2015 posting the largest increases in this decade in both Phase I (up by 190 drugs/11.4%) and Phase III (up by 146 drugs/18.1%). The growth rate in Phase II slowed but is still at record levels (up by 110 drugs/5.1%). The Phase III figure is particularly encouraging, not just because it is showing significant growth, but also as these are the drugs which should be feeding into the new release schedule for 2017 and 2018.

Opportunities continue to exist within the early stage clinical market for the deployment of Instem's software solutions. These opportunities are resulting from an increasing recognition of the need to control data quality and integrity and because levels of automation within the early stage environment remain relatively modest.

SEND

The regulatory bodies' preference for the electronic capture, storage and transfer of data for new drug submissions continues to grow and pharmaceutical organisations are seeking tools that can help them to prioritise suitable drug candidates utilising vast volumes of historic data, in addition to managing their compliance risk with the authorities. SEND was developed to speed up and enhance the review process for drug applications by developing electronic tools to analyse and visualise these submissions, and building data warehouses to rapidly query data across drugs, companies, and clinical and non-clinical disciplines.

As a result, the US Food & Drug Administration has made it mandatory to use SEND for all related study submissions, starting with those run after December 2016 that support the submission of a new drug application. The Directors believe that the annual total market spend on technology and services in respect of SEND will grow to approximately $150 million in 2019 and we are looking to optimise Instem's offering to all areas of this market.

Government and Academic Research

Funding for Government/Academic institutions undertaking later stages of life sciences research in North America, China and Europe continues to grow to cover gaps that are not sufficiently attractive to commercial enterprises. This enables them to invest in both study automation solutions and in innovative approaches to the process of R&D using novel scientific, informatics and big data approaches, providing another source of revenue for the majority of Instem's solutions and services.

Financial Review

Instem's revenue model consists of perpetual licence income with annual support contracts, professional services fees and SaaS subscriptions. Total revenue for the twelve months to 31 December 2015 increased 22% to £16.3m compared with last year. Demand for our products and services from customers in all territories in which we operate continued to increase, reflecting increased levels of pharmaceutical R&D activity.

Revenue growth during the year came from both new and existing customers and was driven primarily from increases in Provantis and ALPHADAS related business.

Total recurring revenue, from support contracts and SaaS based subscriptions, increased 9% during the year to £10.0m (2014: £9.2m), representing 62% of total revenue. SaaS based revenue increased by 14% to £2.1m (2014: £1.8m).

Earnings before interest, tax, depreciation and amortisation increased 43% for the year to £2.5m. (2014: £1.7m). Development costs incurred during the year were £1.9m (2014: £1.3m), of which £0.6m (2014: £0.3m) was capitalised.

Adjusted profit before tax (i.e. 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) was £1.7m (2014: £1.1m). The non-recurring charge of £1.4m, which was previously announced, arose following the early agreement of the final deferred contingent consideration payment relating to the 2013 Instem Clinical (formerly Logos Technologies) acquisition after all profit targets were exceeded. This resulted in a total consideration payment for the Logos business totalling £4.8m, in a mixture of cash and shares, slightly lower than the potential maximum payable of £5.0m. The total paid up until the end of 2015 was £4.1m, with the remaining balance of £0.7m to be paid in cash in two equal instalments in July 2016 and July 2017.

The Group claimed and received research and development tax credits during the year of £0.2m (2014: £0.1m).

Basic and fully diluted earnings per share calculated on an adjusted basis were ahead of the prior year by 58% and 55% respectively.

Net cash generated from operations was £2.5m (2014: £0.5m). The Group had net cash reserves of £2.2m at 31 December 2015, compared with £1.7m as at 31 December 2014, after making deferred contingent consideration cash payments for the 2013 Instem Clinical acquisition amounting to £0.7m and one deferred contingent consideration payment in respect of the 2013 Perceptive Instruments acquisition of £0.3m. In addition, a cash payment amounting to £0.3m was made to repay a Loan Note associated with the Instem Clinincal acquisition. In line with our current policy of retaining cash within the business to capitalise on the available growth opportunities, the Board has not recommended the payment of a dividend.

The Group's legacy defined benefit pension scheme closed to new members in 2000 and to future accrual in 2008. It experienced an increase in the funding deficit during the year calculated in accordance with the provisions of IAS19 that amounted to £0.3m (net of deferred tax). This is a non-cash charge and was recognised in Other Comprehensive Income/(Expense). The overall deficit at the year-end stood at £3.9m, represented by a fair value of assets of £7.8m and a present value of funded obligations of £11.7m. As part of the scheme's triennial actuarial valuation as at 5 April 2014, the Group agreed in June 2015 a schedule of payments to the scheme designed to eliminate the funding deficit by November 2023. This involves an increase of £0.1m in the Group's current payments to the scheme rising from £0.4m to approximately £0.5m per annum from April 2016.

Post Balance Sheet Event
As described in the Chairman's statement, following the post year-end fund raising exercise, the Company received £5.0m before expenses to support organic growth and acquisition opportunities. The impact of the net funds received will be reported with the 2016 interim results.

Principal risks and uncertainties
The principal risks and uncertainties remain unchanged from those described in our 2014 Annual Report.

Outlook
Our core addressable markets continue to grow in terms of the number of potential customers and the absolute size. Our products and services recorded significant year-on-year revenue growth during 2015 and we are pleased to report that we entered the new financial year with a strong forward order book. Regulatory requirements and the enlarged drug R&D pipeline are expected to continue to stimulate demand for Instem's solutions and services.

The recently strengthened balance sheet provides opportunities to invest further in our core products and services, accelerate the development of new offerings such as KnowledgeScan and SEND submit™ and play a significant role in consolidating the industry in which we operate.

We therefore look forward to the coming year with confidence and expect to deliver further operational and financial progress.

Phil Reason
Chief Executive
4 April 2016

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	**Unaudited Year ended 31 December 2015 £000**	Audited Year ended 31 December 2014 £000
Continuing Operations			
REVENUE	2	**16,321**	13,429
Operating expenses		**(13,553)**	(11,572)
Share based payment		**(263)**	(108)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND NON-RECURRING COSTS ('EBITDA')		**2,505**	1,749
Depreciation		**(156)**	(127)
Amortisation of intangibles arising on acquisition		**(640)**	(640)
Amortisation of internally generated intangibles		**(376)**	(297)
PROFIT BEFORE NON-RECURRING COSTS		**1,333**	685
Non-recurring costs	4	**(1,426)**	(123)
(LOSS)/PROFIT FROM OPERATIONS		**(93)**	562
Finance income		**4**	9
Finance costs		**(272)**	(359)
(LOSS)/PROFIT BEFORE TAXATION		**(361)**	212
Taxation	3	**(67)**	(62)
(LOSS)/PROFIT FOR THE YEAR		**(428)**	150
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that will not be reclassified to profit and loss account			
Actuarial loss on retirement benefit obligations		**(339)**	(621)
Deferred tax on actuarial loss		**61**	124
		(278)	(497)
Items that may be reclassified to profit and loss account			
Exchange differences on translating foreign operations		**(24)**	34
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR		**(302)**	(463)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(730)**	(313)
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**(428)**	150
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**(730)**	(313)
Earnings per share from continuing operations			
Basic	5	**(3.5)p**	1.2p
Diluted	5	**(3.5)p**	1.2p

Consolidated Statement of Financial Position
As at 31 December 2015

	Unaudited		Audited	
	31 December 2015		31 December 2014	
ASSETS	**£000**	**£000**	£000	£000
NON-CURRENT ASSETS				
Intangible assets	**12,035**		12,439	
Property, plant and equipment	**376**		263	
Deferred tax assets	**663**		574	
TOTAL NON-CURRENT ASSETS		**13,074**		13,276
CURRENT ASSETS				
Inventories	**822**		506	
Trade and other receivables	**4,745**		4,432	
Cash and cash equivalents	**2,183**		1,676	
TOTAL CURRENT ASSETS		**7,750**		6,614
TOTAL ASSETS		**20,824**		19,890
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	**1,797**		1,364	
Deferred income	**7,107**		6,811	
Current tax payable	**541**		231	
Financial liabilities	**385**		1,903	
TOTAL CURRENT LIABILITIES		**9,830**		10,309
NON-CURRENT LIABILITIES				
Financial liabilities	**448**		281	
Retirement benefit obligations	**3,933**		3,881	
TOTAL NON-CURRENT LIABILITIES		**4,381**		4,162
TOTAL LIABILITIES		**14,211**		14,471
EQUITY				
Share capital	**1,304**		1,221	
Share premium	**7,903**		7,892	
Merger reserve	**1,241**		(326)	
Shares to be issued	**641**		378	
Translation reserve	**204**		228	
Retained earnings	**(4,680)**		(3,974)	
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**6,613**		5,419
TOTAL EQUITY AND LIABILITIES		**20,824**		19,890

Consolidated Statement of Cashflows
For the year ended 31 December 2015

	Unaudited Year ended 31 December 2015		Audited Year ended 31 December 2014	
	£000	**£000**	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	**(361)**		212	
Adjustments for:				
Depreciation	**156**		127	
Amortisation of intangibles	**1,016**		937	
Share based payments	**263**		108	
Retirement benefit obligations	**(427)**		(398)	
Finance income	**(4)**		(9)	
Finance costs	**272**		359	
Increase in deferred contingent consideration	**1,361**		-	
		2,276		1,336
CASH FLOWS FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL				
Movements in working capital:				
Increase in inventories	**(313)**		(196)	
Increase in trade and other receivables	**(71)**		(1,436)	
Increase in trade and other payables and deferred income	**493**	**109**	743	(889)
CASH GENERATED FROM OPERATIONS		**2,385**		447
Finance costs	**(86)**		(65)	
Income taxes	**205**	**119**	100	35
NET CASH GENERATED FROM OPERATING ACTIVITIES		**2,504**		482
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income received	**4**		9	
Purchase of intangible assets	**(612)**		(369)	
Purchase of property, plant and equipment	**(113)**		(124)	
Payment of deferred contingent consideration	**(950)**		(302)	
Repayment of capital from finance leases	**(8)**		-	
NET CASH USED IN INVESTING ACTIVITIES		**(1,679)**		(786)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	**12**		-	
Loan note repaid	**(303)**		-	
Finance lease interest	**(4)**		-	
NET CASH USED IN FINANCING ACTIVITIES		**(295)**		-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**530**		(304)
Cash and cash equivalents at start of year		**1,676**		2,053
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(23)**		(73)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,183**		1,676

Consolidated Statement of Changes in Equity

	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 2014	1,176	7,892	(932)	270	194	(3,627)	4,973
Profit for the year	-	-	-	-	-	150	150
Other comprehensive expense for the year	-	-	-	-	34	(497)	(463)
Total comprehensive income/(expense)	-	-	-	-	34	(347)	(313)
Shares issued	45	-	606	-	-	-	651
Share based payment	-	-	-	108	-	-	108
Balance at 31 December 2014	1,221	7,892	(326)	378	228	(3,974)	5,419
Loss for the year	-	-	-	-	-	(428)	(428)
Other comprehensive expense for the year	-	-	-	-	(24)	(278)	(302)
Total comprehensive expense	-	-	-	-	(24)	(706)	(730)
Shares issued	83	11	1,567	-	-	-	1,661
Share based payment	-	-	-	263	-	-	263
Balance as at 31 December 2015	**1,304**	**7,903**	**1,241**	**641**	**204**	**(4,680)**	**6,613**

Notes to the Financial Statements

1. Basis of Preparation

FINANCIAL INFORMATION

The preliminary financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 but is derived from accounts for the years ended 31 December 2015 and 31 December 2014. The figures for the year ended 31 December 2014 were audited. The preliminary financial information is prepared on the same basis as will be set out in the statutory accounts for the year ended 31 December 2015. The figures for the year ended 31 December 2015 are unaudited.

The presentation of the Consolidated Statement of Comprehensive Income has changed from the previous audited financial statements. The change includes the depreciation charge being presented on the face of the Consolidated Statement of Comprehensive Income rather than being included in operating expenses. The change has been made to provide clarity in the calculation of earnings before interest, taxation, depreciation and non-recurring costs (EBITDA).

The presentation of the Consolidated Statement of Financial Position has changed from the previous audited financial statements. The change is to show deferred income on the face of the Consolidated Statement of Financial Position rather than being included in trade and other payables.

It is the opinion of the directors that the above changes are considered more appropriate to the readers and users to better understand the performance and position of the Group.

The preliminary financial information was approved for issue by the Board of Directors on 4 April 2016.

The statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 December 2014 have been filed with the Registrar of Companies. The auditor's report on those 2014 accounts was unqualified and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

GENERAL INFORMATION

The principal activity of the Group is the provision of world class information solutions for Life Sciences research and development in the early phase drug development market. Instem plc is a company incorporated in England and Wales under the Companies Act 2006 and domiciled in the UK. The registered office is Diamond Way, Stone Business Park, Stone, Staffordshire, ST15 0SD, UK.

BASIS OF ACCOUNTING

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), this announcement does not in itself contain sufficient information to comply with IFRSs.

The Group's accounting reference date is 31 December.

GOING CONCERN

Having made appropriate enquiries, the directors consider that the Group has adequate resources to enable it to continue in operation for the foreseeable future. The Group has a significant proportion of recurring revenue from a well-established global customer base, supported by a largely fixed cost base.

The financial position of the Group, its cash flows and liquidity position are set out in the primary statements of this financial information. Detailed projections have been made for the 12 months following the approval of the financial statements and sensitivity analysis undertaken. This work gives the directors confidence as to the future trading performance.

Accordingly, the directors continue to adopt the going concern basis for the preparation of the financial statements.

2. Segmental Reporting

For management purposes, the Group is currently organised into one operating segment – Global Life Sciences.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	2015	2014
	£000	£000
INFORMATION BY PRODUCT TYPE		
Licence fees	**4,612**	2,734
Annual support fees	**7,383**	6,984
SaaS subscription fees	**2,076**	1,822
Professional services	**2,042**	1,763
Funded development initiatives	**208**	126
	16,321	13,429

	2015	2014
	£000	£000
INFORMATION BY GEOGRAPHICAL LOCATION		
UK	**2,004**	2,141
Rest of Europe	**3,592**	2,699
USA and Canada	**9,429**	7,583
Rest of World	**1,296**	1,006
	16,321	13,429

	NON-CURRENT ASSETS EXCLUDING DEFERRED TAXATION	
	2015	2014
	£000	£000
INFORMATION BY GEOGRAPHICAL LOCATION		
UK	**12,331**	12,664
USA and Canada	**39**	16
Rest of World	**41**	22
	12,411	12,702

MAJOR CUSTOMERS

No single customer generated more than 10% of the Group revenue (2014: Nil).

3. Income Taxes

Income taxes recognised in profit or loss	**2015 £000**	2014 £000
Current tax:		
UK corporation tax on result for the year	**98**	-
Foreign tax	**411**	272
Foreign tax in respect of previous years	**(302)**	239
Adjustments in respect of previous years	**61**	(171)
Adjustments in respect of R&D tax credit	**(173)**	(92)
Total current tax	**95**	248
Deferred tax:		
Current year credit	**(315)**	(30)
Adjustment in respect of previous years	**157**	(103)
Retirement benefit obligation	**130**	(53)
Total deferred tax	**(28)**	(186)
Total income tax expense recognised in the current year	**67**	62

The income tax expense can be reconciled to the accounting result as follows:	**2015 £000**	2014 £000
(Loss)/Profit before tax	**(361)**	212
(Loss)/Profit before tax multiplied by standard rate of corporation tax in the UK 20.25% (2014: 21.50%)	**(73)**	46
Effects of:		
Expenses not deductible for tax purposes	**367**	33
Fixed asset timing differences	**17**	(9)
Differences in overseas tax rates	**165**	109
Adjustments in respect of prior years	**(84)**	(35)
Adjustment in respect of R&D tax credit	**(173)**	-
Other timing differences	**(152)**	-
Tax losses utilised	**-**	(82)
Total income tax expense recognised in profit or loss	**67**	62

4. Non-recurring costs

The 2015 non-recurring charge of £1.4m arose following the early agreement of the final deferred contingent consideration relating to the 2013 acquisition of Instem Clinical (formerly Logos Technologies) after all profit targets were exceeded.

The 2014 non-recurring charge included a net charge of £0.06m relating to a trade dispute, net of insurance proceeds of £0.09m, and £0.07m of professional fees associated with the Perceptive Instruments acquisition in 2013.

5. Earnings per share

Basic and fully diluted

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.

	Profit after tax	**2015 Weighted average number of shares**	**Earnings per share**	Profit after tax	2014 Weighted average number of shares	Earnings per share
	£000	**'000**	**Pence**	£000	'000	Pence
Earnings per share – Basic	**(428)**	**12,398**	**(3.5)**	150	12,063	1.2
Potentially dilutive shares	**-**	**-***	**-**	-	155	-
Earnings per share - Diluted	**(428)**	**12,398**	**(3.5)**	150	12,218	1.2

*Dilutive share options have been excluded from the calculation as in accordance with IAS 33, 'Earnings per share', as they are only included where the impact is dilutive.

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.

	Adjusted Profit after tax	**2015 Weighted average number of shares**	**Adjusted Earnings per share**	Adjusted Profit after tax	2014 Weighted average number of shares	Adjusted Earnings per share
	£000	**'000**	**Pence**	£000	'000	Pence
Earnings per share – Basic	**1,644**	**12,398**	**13.3**	1,009	12,063	8.4
Potentially dilutive shares	**-**	**337**	**-**	-	155	-
Earnings per share - Diluted	**1,644**	**12,735**	**12.9**	1,009	12,218	8.3

Reconciliation of reported (loss)/profit after tax to adjusted profit after tax:	**2015**	2014
	£'000	£'000
Reported (loss)/profit after tax	**(428)**	150
Non-recurring costs	**1,426**	123
Amortisation of acquired intangibles	**640**	640
Foreign exchange differences on revaluation of inter-co balances	**6**	96
Adjusted profit after tax	**1,644**	1,009

6. Post balance sheet event

Following the end of the financial year, in February 2016 the Company announced it had raised £5.0 million (before expenses) by way of a placing of 2,500,000 New Ordinary Shares with new and existing investors. The Board intends to use the proceeds of this placing, along with existing cash resources, to continue the Group's acquisition strategy and to provide additional working capital.

7. **Annual report and accounts**

Copies of the Annual Report and Accounts will be posted to the Company's shareholders and will be available, along with this announcement, on Instem's website at http://investors.instem.com.