27 March 2013
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Instem plc
("Instem", the "Company" or the "Group")

Unaudited Preliminary Results

Instem plc (AIM: INS.L), a leading provider of IT applications to the global early development healthcare market, announces its unaudited preliminary results for the year ended 31 December 2012.

Financial Highlights

- Revenues of £10.7m (2011: £10.8m)
  - Recurring revenues accounted for 70% of total revenues (2011: 70%)
  - SaaS (Software as a Service) revenue up 12% to £1.1m (2011: £1.0m)
- Adjusted operating profit* £1.5m (2011: £2.0m). in line with revised market expectations
- Reported profit before tax £1.3m (2011: £1.5m)
- Basic earnings per share 8.9p (2011: 8.6p)
- Closing cash balance as at 31 December 2012 of £2.5m (2011: £3.4m)

Operational Highlights

- Customer retention rate remained strong at over 95%
- A number of prestigious contract wins including:
  - The US National Institute of Allergy and Infectious Diseases (NIAID)
  - JOINN Laboratories, China's largest provider of pre-clinical studies
  - Advinus Therapeutics and Lupin Limited in India
  - One of the world's largest Biopharmaceutical organisations
  - A leading Japanese pharmaceutical company
- Improvements to the product set through the release of Provantis 9, the next generation of our leading pre-clinical drug safety data collection software, Provantis Portal for remote data access, Omniviz® 6.1, an upgraded version of our visual data analytics platform, further modules in the Centrus™ suite and Logbook™, our paperless solution for laboratory and other data recording
- A significant post year end US government contract win for Provantis 9, announced in late February 2013, with the National Institute of Environmental Health Sciences committing to an agreement lasting up to ten years

** Operating profit before amortisation, share based payment and non-recurring items.*

Phil Reason, CEO of Instem plc, commented:

"The market inertia experienced earlier in 2012 now appears to be largely resolved, with several new contracts secured in December and in the first quarter of 2013. North America and the emerging markets appear to be the most buoyant, offsetting continuing difficult conditions in Europe. While Provantis sales are anticipated to continue to deliver the majority of revenues to the Group for some time, the growing interest in our Centrus and translational science capabilities offers additional revenue avenues for the future.

"Instem is a robust business, with net cash and a valuable customer base delivering high levels of recurring revenue. The business has been developed extensively in the last few years and is continuing to increase its strong global market share. We believe Instem continues to be well positioned to take advantage of the structural changes in the processes of drug development that are currently taking place. Both the regulatory and fiscal environments continue to be favourable to Instem, driving demand for all areas of our product suite."

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About Instem plc

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 used 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 its clients through full service offices in the United States, United Kingdom and China with additional locations in India and a full service distributor based in Japan.

To learn more about Instem solutions and its mission, please visit www.instem.com or its investor centre http://investors.instem.com/

Chairman's Statement

Against a challenging market environment, created by global economic concerns on the one hand and the rapidly changing structure of drug development processes on the other, Instem has delivered a solid set of results for the year. The Group has further consolidated its leading position in the early development application market and extended its penetration across its customer base, as well as establishing new relationships with some of the most notable global leaders in the pharmaceutical market.

Delays, caused by customer uncertainties in the face of strategic changes in the market, impacted the level of new licence sales, particularly in the first half of 2012. However a strong final quarter ensured revenues were broadly flat year-on-year at £10.7m (2011: £10.8m) and several delayed contracts have been signed post period end. A small increase in internal cost to support the completion and release of Provantis 9, together with increased third party costs due to the successful launch of Logbook, led to a decrease in adjusted operating profit to £1.5m (2011: £2.0m).This was in line with the revised market expectation.

The Group continues to benefit from its substantial recurring revenue base, of approximately £7.5m (on an annualised basis), and enjoys a high and sustained customer renewal rate of over 95%. Taken together with a healthy opening order book, this provides a solid, profitable and cash-generative platform from which to continue to develop the business.

Strong operational progress was made in the year. In particular the Group extended its geographical footprint, establishing a wholly owned subsidiary in Pune, India, providing additional software development and support resource. Operations now span the US, UK, India and China, and notable customer wins were secured in each of these regions during the year. Over 87% of Instem's revenue now comes from territories outside the UK (2011: 87%).

A core element of the Group's strategy is the extension of the range of solutions it can offer its customer base. Instem continues to execute against this strategy and in 2012 was pleased to launch planned major new releases of Provantis, Omniviz, the Provantis Portal, and further Centrus modules. In addition we were able to add Logbook to our offering via a partnership with Trimetra. Partnering and complementary product introductions such as this have the ability to increase Instem's addressable marketplace and will continue to be a focus for the Group going forward. The year saw an encouraging level of sales across the enlarged product suite to both existing and new customers.

Provantis 9, which delivers significant operational efficiencies in Clinical Pathology laboratories, received very positive feedback from its early adopter Roche and all of the other high profile beta test clients. This product generated new licence and upgrade revenue in 2012 and excellent opportunities for 2013.

Post year end, the Group announced that Provantis had been selected as the IT platform for the National Toxicology Program being managed by the US Government. This is a substantial multi-year Software-as-a-Service contract and endorses Instem's leading market position.

I would like to thank all our employees across the Group for their continued enthusiasm and commitment, as it is their efforts that provide Instem with its strong reputation and leading market position.

While the structural changes in the market continue to impact purchasing decisions at large pharma, there were signs towards the end of the year of increasing confidence amongst pharma and Contract Research Organisations ("CROs"), particularly within the US and emerging markets. We believe that Instem is well positioned to meet the needs of our customers in this changing environment and look forward to a positive 2013.

David Gare
Chairman
26 March 2013

Operational Review

Whilst the major structural changes underway within the pharmaceutical market are, we believe, to Instem's long term advantage, they created uncertainty in 2012, delaying order placement. This was particularly the case in Europe, where revenues were down 13% on the prior year. The US and emerging markets were less affected and, by the end of 2012, pharmaceutical customers in these regions were making commitments - with Instem enjoying favourable outcomes in the majority of bidding situations. After they had endured a very challenging 2011, there was also a notable increase in business in the year from our CRO clients. Some of the largest CROs made significant purchases of additional products whilst the smaller ones added more user licences - an encouraging sign that study volumes are starting to increase.

It is pleasing to report that throughout the year, the Group successfully increased its penetration in overseas markets and secured several new clients. A number of new product introductions and releases were made in 2012 and all of these generated new sales in the year and contributed to a solid pipeline for 2013. As in previous years, the majority of new contracts and contract renewals were secured in the second half of 2012, consequently, the majority of associated implementation services and product support revenue will be recognised in 2013.

The Group's substantial recurring revenue base continues to provide a solid and cash generative platform for the expansion of an increasingly global business.

Customer Wins and Renewals

As the leader in its field, Instem continues to extend its footprint within existing clients and across the industry as a whole, outperforming its competitors in product and performance evaluations. Instem has once again maintained its high level of Provantis renewals in the year, with the rate remaining above 95%. As anticipated at the time of the Interim Results, the second half of the year saw a significant increase in the amount of new business secured, in comparison with the first half, with the final quarter once again being the strongest.

Traditional perpetual licences for on-premise deployment signed during the year included the purchase of Provantis in November 2012 by the National Institute of Allergy and Infectious Diseases (NIAID), part of the National Institutes of Health (NIH). This purchase by a US government agency represents a good opportunity for the Group, particularly as the NIH invests over $30 billion annually in medical research. A prestigious contract was won in December 2012 with a top 10 biopharmaceutical organisation, which purchased multiple modules of the Centrus software suite, including the Standard for Exchange of Nonclinical Data (SEND).This represents the most comprehensive suite of Centrus modules purchased to date. Additionally, in December 2012, Instem secured a multi-year contract extension with its largest client, a leading CRO, worth an annual seven-figure US Dollar amount. The CRO not only extended the existing contract but also purchased additional Instem products and services with a value in excess of $400,000, underlining its confidence in Instem.

As well as securing customers for traditional licences, Instem also saw further uptake of its software deployed via the Software as a Service (SaaS) business model. SaaS and hybrid SaaS options continue to prove to be an increasingly popular choice for organisations of all sizes. Total SaaS revenue for 2012 was up 12% to £1.1m (2011: £1.0m).

Several smaller US and European CROs extended their agreements with Instem in the period by adding additional user and module licenses; these included Champions, PSL, Jackson and Vivotecnia. There was also a step-up in upgrade projects to Provantis 9 with orders from Advinus and Lovelace.

Increased Global Presence

Instem's increased global reach has provided the Group with a strong competitive advantage and we continue to tender and successfully win projects with organisations located in all territories where early development research facilities are based. In late 2009, Instem embarked on a strategy to broaden its global presence beyond the more traditional markets of North America, Europe and Japan to the emerging economies. In 2010, our Chinese operation was established, and during 2012 we were pleased to also launch the Group's Indian operations out of Pune. Provantis offers compliance to national and western standards, dual language operation and proven protocol-driven automation that produces high quality study output in greatly reduced timescales.

The Indian office provides the ability to scale-up development and support resources flexibly in response to demand. In the longer term, it is planned that this operation will also enable the Group to provide sales and services locally in the region. During the year we were pleased to increase our penetration in this region by gaining a new client, Lupin Pharmaceuticals, and also by securing an upgrade with an existing customer, Advinus Therapeutics.

In China, Instem continued to achieve new contracts including the prestigious sale of Provantis to JOINN Laboratories, China's largest provider of preclinical studies. The system will automate processes within its China-based facilities located in Beijing and Suzhou.

Through its highly successful Japanese distributor CTCLS, Instem signed a contract in the first half of 2012 with one of Japan's leading pharmaceutical companies for a comprehensive suite of Provantis modules.

Instem Scientific

Instem Scientific has leveraged its strong client base, technology and service offerings in omics research, data integration and visual analytics to deliver information solutions for translational science. This is a growing area of the life sciences market as companies look to re-use of data in the development of new drugs, chemicals and medical devices. Leveraging large volumes of historic data collected by Instem's flagship product Provantis, and extending this across the full reach of the drug development process, from discovery through to clinical development, is one of the opportunities for Instem Scientific solutions.

Instem Scientific continues to enjoy a high rate of recurring revenue renewal across all product lines reflecting the strong long-term partnerships with its life science customers.

The Group continues to invest in this area of the business, adding further expertise, marketing strength and new product releases to improve performance and functionality.

Product Development

Instem's market leading study management product, Provantis, continues to generate significant revenues for the Group. In July 2012, Instem successfully delivered Provantis 9, a major new release of its core product suite. The release completed a significant, phased multi-year product redevelopment, designed to further enhance efficiencies and reduce study timelines while supporting the changes in laboratory working practices brought about by the structural changes in the pharma market. It takes advantage of the latest capabilities of the underlying Microsoft® and Oracle® platform technologies. Unique Provantis capabilities that improve operational efficiency and reduce study timelines are proving key competitive differentiators.

Initial Provantis 9 uptake and future interest has been encouraging. Early adopter Roche and a wider group of high profile beta test clients have shared very positive impressions of the new release, helping stimulate both new client and existing client upgrade orders.

In late 2010, Instem launched Centrus, a software suite that is complementary to Provantis but focused on the areas of enterprise information integration in early drug development, management and reporting. The suite continues to build good momentum, particularly the modules associated with the US Food and Drug Administration sponsored Standard for the Exchange of Non-clinical Data (SEND).

The Group's leading position in this developing area was underlined in February 2012 when Instem was recognised for its outstanding contribution to SEND at the Interchange North America event organised by CDISC, the Clinical Data Interchange Standards Consortium. Our release of Centrus Submit 3.1 immediately after the formal release of the SEND 3.0 standard continues our leadership in this area.

The Centrus pipeline continues to be healthy, and Instem was pleased that in December 2012 it secured a significant order with one of the world's largest biopharmaceutical organisations. This order represents the most comprehensive suite of Centrus modules purchased to date. Instem expects the SEND standard to be a catalyst for the uptake of Centrus, as clients prioritise investments, which satisfy new regulatory requirements and support increased study outsourcing.

In June 2012, Instem launched Logbook, via a partnership with Trimetra. It achieved notable success, by exceeding its anticipated revenue targets for the year. Logbook replaces the last vestiges of client paper data recording, improving operational efficiency and facilitating electronic data access.

In October 2012, the Provantis Portal was launched, enabling internal client staff or their external clients and collaborators to access live study data securely. During the year it was taken into use by a lead client, Jackson Laboratories, and generated good opportunities for further follow-on business.

Instem Scientific continues to focus on translational informatics, harnessing its expertise in developing solutions across the whole spectrum of pharmaceutical R&D, but now with an added focus in Instem's early development market. In November 2012, version 6.1 of OmviViz was released, bringing the full power of 64-bit processing technology to a key component of their data integration and bioinformatics suite. In particular this facilitates the generation of new knowledge through the extraction of actionable information across the research and development continuum.

Market Overview

A typical drug can take 13-15 years from patent registration to come to market, at an average cost of approximately $1.3 billion, leaving a pharmaceutical company just 5-7 years of remaining patent protection following product launch to recover its investment. Therefore there is a recognised need to increase efficiencies and reduce costs. Instem's established software solutions increase efficiencies during drug development by automating study management processes. The addition of products through internal development, revenue-share partnerships, and acquisitions, serve to increase Instem's addressable markets. Alongside this is an increased tendency for pharmaceutical companies to partner with external service providers such as CROs in order to share risk. We expect this, combined with the release of the SEND standard by the FDA, to create sustained demand for high integrity data sharing solutions. We address this need through our Centrus and broader Instem Scientific suite of products.

Instem is ideally positioned to take advantage of on-going changes within the global R&D market, particularly in emerging markets such as China where technology solutions are being sought to help reduce development time, cut costs and improve operating efficiency, and where little automation of processes has taken place to date. There were also indications during the year from the larger CROs that there is a modest but sustained increase in activity levels as large pharma begin to increase spend on drug development activities. Additionally in 2012, Instem saw an increase in the number of licences required by smaller US and European CROs, an encouraging sign of increasing confidence in these markets.

The majority of the leaders in the industry continue to choose our software, and indeed advocate consolidation in the disparate supplier marketplace. Since the Group provides access to a blue chip client base and a global network of support, sales and development Instem is seeing an appetite, from other suppliers, to partner with the Group in complementary areas. We remain alert to opportunities for partnered product developments and, where appropriate, selective acquisitions.

Future Plans

Instem plans to continue to develop its business by building on the three elements of the Instem product set:

Instem Study Management:

- Provantis; a suite of Study Management and Data Collection modules that provide 75% of recurring revenues annually and invariably captures a high proportion of all new business placed in its market;

- Centrus; a complementary Reporting, Analysis & Submission product suite, that offers cross-selling capabilities within the existing client base as well as to potential new customers;

Instem Scientific

- Our translational science suite, provides the ability to aggregate, analyse and extract knowledge from huge volumes of disparate internal and external data, unlocking considerable additional value from prior research investments; this positions us within a valuable area of the pharmaceutical market.

Although Provantis sales are anticipated to continue to deliver the majority of revenues to the Group for some time, the growing interest in our Centrus and translational science capabilities offers additional avenues for future growth.

The Group has an impressive and longstanding customer list of leading global pharmaceutical, chemical, academic and government research organisations. The IT supplier market is highly fragmented and Instem's customer base has indicated its preference to purchase software from a smaller number of core suppliers, of which Instem is one. Instem continues to pursue relationships with other suppliers that would advance this goal. An example is the partnership with Trimetra which, for Instem, simultaneously enhances the Group's market position, complements existing products and provides access to adjacent markets and for Trimetra provides a route to market for their Logbook product. Similar mutually beneficial relationships that provide access to Instem's blue chip client base and global network, for organisations with relevant 'market ready' products, offer attractive growth possibilities and increase Instem's addressable market.

Financial Review

The financial results demonstrate a solid performance in the year with total revenues steady at £10.7m (2010: £10.8m). As described in the Chairman's Statement, new licence sales were lower in the first half of the year than previously anticipated, but increased in the final quarter. As a result only minimal revenue has been recognised for implementation services and annual support and maintenance from these contracts in 2012, with the remainder to be recognised in 2013.

The business continued to expand in developing markets with revenue from outside North America and Europe increasing to £1.1m (2011: £0.9m), being 10% of Group revenue (2011: 9%) with notable wins in India, China and Japan.

Instem's business model consists of fees for perpetual licences, annual support, SaaS subscriptions and professional services. As in the previous year, approximately 70% of revenue was recurring in nature, principally from annual support fees and SaaS subscriptions, with a small contribution from professional fees.

The business continues to generate the majority of its revenue in US dollars and therefore we continue to hedge against its decline. In the period the average exchange rate was $1.5888/£1.00 compared with an average exchange rate in 2011 of $1.6014/£1.00.

The profit from operations before amortisation, share based payment and non-recurring costs for the year was £1.5m (2011: £2.0m). Operating expenses increased in line with expectations by £0.4m over 2011 due to a small increase in internal costs as Provantis 9 was completed, together with increased third party costs due to the successful launch of Logbook.

Amortisation increased by £0.1m over the equivalent period in 2011 reflecting the increased investment in intangibles including those assets acquired through the purchase of Instem Scientific.

Development costs incurred in the period were £1.68m (2011: £1.64m), of which £0.26m were capitalised (2011: £0.26m).

Non-recurring costs include a charge of £0.1m in respect of legal and professional fees associated with pursuing acquisition opportunities, offset by a £0.24m write-back of the provision for deferred contingent consideration in respect of Instem Scientific.

In common with many businesses with a defined benefit pension scheme, there was an increase in the funding deficit during the period calculated in accordance with the provisions of IAS19 that amounted to £1.4m (net of deferred tax), which has been recognised in Other Comprehensive Income/(Expense). This was a non-cash charge in the period and arose primarily as a result of lower discount rates used for calculation of the liabilities, partially offset by higher expected returns on assets. As part of the scheme's triennial actuarial valuation as at 5 April 2011, the Company has agreed a schedule of payments to the scheme with the trustees and the Pensions Regulator that is designed to eliminate the funding deficit over an eight year period. This involves a modest increase of £0.1m in the Company's current payments to the scheme rising from £0.3m to £0.4m per annum from 2013. The defined benefit pension scheme has remained closed to new members since 2000 and to future accrual since 2008.

Cash generated from operations was £0.4m (2011: £1.3m). The Group had cash reserves of £2.5m as at 31 December 2012, compared with £3.4m as at 31 December 2011. Cash flows related to a number of the larger contracts which were signed in the final quarter of 2012 have been received in the first quarter of 2013.

In line with previous periods, and 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.

Principal risks and uncertainties

The principal risks and uncertainties remain unchanged from those described in our 2011 Annual Report.

Outlook

The market inertia experienced earlier in 2012 now appears to be largely resolved, with several new contracts secured in December and in the first quarter of 2013. North America and the emerging markets appear to be the most buoyant, offsetting continuing difficult conditions in Europe. While Provantis sales are anticipated to continue to deliver the majority of revenues to the Group for some time, the growing interest in our Centrus and translational science capabilities offers additional revenue avenues for the future.

Instem is a robust business, with net cash and a valuable customer base delivering high levels of recurring revenue. The business has been developed extensively in the last few years and is continuing to increase its strong global market share. We believe Instem continues to be well positioned to take advantage of the structural changes in the processes of drug development that are currently taking place. Both the regulatory and fiscal environments continue to be favourable to Instem, driving demand for all areas of our product suite.

Phil Reason
Chief Executive
26 March 2013

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

Continuing Operations	Note	**Year ended 31 December 2012 £000**	Year ended 31 December 2011 £000
REVENUE	2	**10,661**	10,793
Operating expenses		**(9,157)**	(8,791)
PROFIT FROM OPERATIONS BEFORE AMORTISATION, SHARE BASED PAYMENT AND NON-RECURRING COSTS		**1,504**	2,002
Amortisation of intangibles		**(397)**	(347)
Share based payment		**(86)**	(88)
PROFIT BEFORE NON-RECURRING COSTS		**1,021**	1,567
Non-recurring income/ (costs)		**137**	(21)
PROFIT FROM OPERATIONS		**1,158**	1,546
Finance Income		**238**	422
Finance Costs		**(144)**	(456)
PROFIT BEFORE TAXATION		**1,252**	1,512
Income tax expense	3	**(208)**	(506)
PROFIT FOR THE YEAR		**1,044**	1,006
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Actuarial loss on retirement benefit obligations	5	**(1,833)**	(392)
Deferred tax on actuarial loss		**389**	68
Exchange differences on translating foreign operations		**(189)**	96
OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		**(1,633)**	(228)
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		**(589)**	778
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**1,044**	1,006
TOTAL COMPREHENSIVE (EXPENSE) / INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**(589)**	778
Earnings per share from continuing operations			
Basic	4	**8.9p**	8.6p
Diluted	4	**8.9p**	8.5p

Consolidated Statement of Financial Position
As at 31 December 2012

	Note	31 December 2012		31 December 2011	
ASSETS		**£000**	**£000**	£000	£000
NON-CURRENT ASSETS					
Intangible assets		**8,034**		8,103	
Property, plant and equipment		**187**		188	
Deferred tax assets		**732**		279	
TOTAL NON-CURRENT ASSETS			**8,953**		8,570
CURRENT ASSETS					
Inventories		**90**		93	
Trade and other receivables		**3,750**		3,029	
Current tax assets		**235**		64	
Cash and cash equivalents		**2,450**		3,368	
TOTAL CURRENT ASSETS			**6,525**		6,554
TOTAL ASSETS			**15,478**		15,124
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables		**7,037**		7,594	
Financial liabilities		**250**		250	
TOTAL CURRENT LIABILITIES			**7,287**		7,844
NON-CURRENT LIABILITIES					
Financial liabilities		**-**		250	
Retirement benefit obligations	5	**3,196**		1,616	
TOTAL NON-CURRENT LIABILITIES			**3,196**		1,866
TOTAL LIABILITIES			**10,483**		9,710
EQUITY					
Share capital		**1,176**		1,171	
Share premium		**7,892**		7,813	
Merger reserve		**(932)**		(932)	
Shares to be issued		**174**		88	
Translation reserve		**284**		473	
Retained earnings		**(3,599)**		(3,199)	
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			**4,995**		5,414
TOTAL EQUITY AND LIABILITIES			**15,478**		15,124

Consolidated Statement of Cashflows
For the year ended 31 December 2012

	Note	**Year ended 31 December 2012**		Year ended 31 December 2011	
		£000	**£000**	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		**1,252**		1,512	
Adjustments for:					
Depreciation		**158**		116	
Amortisation of intangibles		**397**		347	
Profit on disposal of property, plant and equipment		**-**		(14)	
Share based payments and shares to be issued		**86**		88	
Adjustments to contingent consideration		**(241)**		(80)	
Retirement benefit obligations		**(337)**		(245)	
Net foreign exchange gains		**219**		88	
Finance income		**(238)**		(422)	
Finance costs		**144**		456	
CASH FLOWS FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL			**1,440**		1,846
Movements in working capital:					
Decrease in inventories			**-**	47	
Increase in trade and other receivables			**(953)**	(1,230)	
(Decrease)/Increase in trade and other payables			**(63)**	679	(504)
CASH GENERATED FROM OPERATIONS			**424**		1,342
Finance costs			**(60)**	(362)	
Income taxes paid			**(442)**	(478)	(840)
NET CASH (USED)/GENERATED FROM OPERATING ACTIVITIES			**(78)**		502
CASH FLOWS FROM INVESTING ACTIVITIES					
Finance income received		**19**		300	
Purchase of intangible assets		**(328)**		(291)	
Purchase of property, plant and equipment		**(158)**		(152)	
Disposal of property, plant and equipment		**-**		30	
Acquisition of subsidiary		**(86)**		(200)	
Cash acquired with subsidiary		**-**		141	
NET CASH GENERATED/(USED) IN INVESTING ACTIVITIES			**(553)**		(172)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loan notes repaid		**(250)**		(253)	
NET CASH USED IN FINANCING ACTIVITIES			**(250)**		(253)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			**(881)**		77
Cash and cash equivalents at start of year			**3,368**		3,263
Effects of exchange rate changes on the balance of cash held in foreign currencies			**(37)**		28
CASH AND CASH EQUIVALENTS AT END OF YEAR			**2,450**		3,368

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 2011	1,171	7,813	(932)	-	377	(3,881)	4,548
Profit for the year	-	-	-	-	-	1,006	1,006
Other comprehensive income/(expense) for the year	-	-	-	-	96	(324)	(228)
Share based payment	-	-	-	88	-	-	88
Balance at 31 December 2011	1,171	7,813	(932)	88	473	(3,199)	5,414
Profit for the year	-	-	-	-	-	1,044	1,044
Other comprehensive income for the year	-	-	-	-	(189)	(1,444)	(1,633)
Total comprehensive income	-	-	-	-	(189)	(400)	(589)
Share based payment	-	-	-	86	-	-	86
Shares issued	5	79	-	-	-	-	84
Balance as at 31 December 2012	**1,176**	**7,892**	**(932)**	**174**	**284**	**(3,599)**	**4,995**

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 2012 and 31 December 2011. The figures for the year ended 31 December 2011 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 2012. The figures for the year ended 31 December 2012 are unaudited.

The preliminary financial information was approved for issue by the Board of Directors on 26 March 2013.

The statutory accounts for the year ended 31 December 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 December 2011 have been filed with the Registrar of Companies. The auditors' report on those 2011 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. 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.

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.

	THIRD PARTY REVENUE	
	2012	2011
	£000	£000
INFORMATION BY PRODUCT TYPE		
Licence fees	**1,775**	2,336
Annual support fees	**6,188**	5,961
SaaS subscription fees	**1,141**	1,016
Professional services	**1,373**	1,338
Funded development initiatives	**184**	142
	10,661	10,793

	THIRD PARTY REVENUE	
	2012	2011
	£000	£000
INFORMATION BY GEOGRAPHICAL LOCATION		
UK	**1,311**	1,342
Rest of Europe	**2,147**	2,518
USA and Canada	**6,135**	5,989
Rest of World	**1,068**	944
	10,661	10,793

	NON-CURRENT ASSETS EXCLUDING DEFERRED TAXATION	
	2012	2011
	£000	£000
INFORMATION BY GEOGRAPHICAL LOCATION		
UK	**8,183**	8,163
USA and Canada	**29**	48
Rest of World	**9**	80
	8,221	8,291

MAJOR CUSTOMERS

The group generates external revenue from one customer which individually amounts to more than 10% of the Group revenue. Revenue in respect of this customer for the year ended 31 December 2012 amounted to £1.1m (2011: £0.8m). In 2011 no customers exceeded 10% of revenue.

3. Income Taxes

Income taxes recognised in profit or loss	**2012 £000**	2011 £000
Current tax:		
UK corporation tax on profits of the year	**179**	167
Double tax relief	**(109)**	-
Foreign tax	**224**	240
Adjustments in respect of previous years	**27**	(78)
Adjustments in respect 2010 R&D tax credit	**(50)**	-
Total current tax	**271**	329
Deferred tax:		
Origination and reversal of temporary differences	**(38)**	150
Adjustments in respect of previous years	**(83)**	(36)
Retirement benefit obligation	**58**	63
Total deferred tax	**(63)**	177
Total income tax expense recognised in the current year	**208**	506

	2012 £000	2011 £000
The income tax expense can be reconciled to the accounting profit as follows:		
Profit before tax	**1,252**	1,512
Profit before tax multiplied by standard rate of corporation tax in the UK 24.5% (2011: 26.5%)	**307**	401
Effects of:		
Expenses not deductible for tax purposes	**29**	67
Differences in overseas tax rates	**110**	152
Adjustments in respect of prior years	**(106)**	(114)
Tax losses utilised in respect of subsidiaries	**(73)**	-
Non-taxable income	**(59)**	-
Total income tax expense recognised in profit or loss	**208**	506

4. Earnings per share
Basic earnings per share is calculated by dividing the profit 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	**2012 Weighted average number of shares**	**Earnings per share**	Profit after tax	2011 Weighted average number of shares	Earnings per share
	£000	**'000**	**Pence**	£000	'000	Pence
Earnings per share – Basic	**1,044**	**11,755**	**8.9**	1,006	11,714	8.6
Potentially dilutive shares	**-**	**-**	**-**	-	134	(0.1)
Earnings per share - Diluted	**1,044**	**11,755**	**8.9**	1,006	11,848	8.5

5. Retirement benefit obligations

The latest full triennial actuarial valuation of the defined benefit scheme, the Instem LSS Pension Scheme, was carried out as at 5 April 2011 and was finalised on 5 July 2012. The Scheme data was used by a qualified independent actuary to determine the valuation for accounts purposes as at 31 December 2012 in accordance with the provisions of IAS19. The 2011 comparative numbers were based on the prior triennial actuarial valuation at 5 April 2008 updated at 31 December 2011.
The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the reporting date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

	2012 %	2011 %
Discount rate	**4.5**	5.4
Expected return on plan assets	**4.5**	5.3
Inflation	**2.9**	3.1
Rate of increase in salaries	**N/A**	N/A
Rate of increase in pensions in payment	**2.9**	3.1
Rate of increase in pensions in deferment	**2.9**	3.1
Life Expectancy assumptions		
Male currently aged 45	**24.9**	24.4
Female currently aged 45	**26.2**	26.8
Male currently aged 65	**23.6**	22.5
Female currently aged 65	**24.7**	24.9

Retirement benefit obligations (continued)

ANALYSIS OF AMOUNT CHARGED TO OTHER FINANCE COSTS	**31 Dec 2012 £000**	31 Dec 2011 £000
Expected returns on pension scheme assets	**288**	334
Interest on pension scheme liabilities	**(372)**	(394)
Net finance charge	**(84)**	(60)

ANALYSIS OF AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME	**31 Dec 2012 £000**	31 Dec 2011 £000
Actual return less expected return on pension scheme assets	**172**	(480)
Experience losses arising on scheme liabilities	**(763)**	-
Changes in assumptions underlying the present value of the scheme liabilities	**(1,242)**	88
Actuarial loss recognised in other comprehensive income	**(1,833)**	(392)

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION	**31 Dec 2012 £000**	31 Dec 2011 £000
Opening defined benefit obligation	**6,946**	6,956
Interest cost	**372**	394
Actuarial loss/(gain)	**2,005**	(88)
Benefits paid	**(123)**	(316)
Closing defined benefit obligation	**9,200**	6,946

CHANGES IN THE FAIR VALUE OF PLAN ASSETS	**31 Dec 2012 £000**	31 Dec 2011 £000
Opening plan assets	**5,330**	5,479
Expected return	**288**	334
Actuarial loss/(gain)	**172**	(480)
Contributions by employer	**337**	313
Benefits paid	**(123)**	(316)
Closing plan assets	**6,004**	5,330

Retirement benefit obligations (continued)

	31 Dec 2012 £000	31 Dec 2011 £000
Present value of funded obligations	**(9,200)**	(6,946)
Fair value of plan assets	**6,004**	5,330
Deficit	**(3,196)**	(1,616)
Related deferred tax asset	**735**	404
Net pension liability	**(2,461)**	(1,212)

ANALYSIS OF CUMULATIVE AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME	**Cumulative 31 Dec 2012 £000**	Cumulative 31 Dec 2011 £000
Actual return less expected return on pension scheme assets	**(359)**	(531)
Experience gains and losses arising on scheme liabilities	**(1,673)**	(910)
Changes in assumptions underlying the present value of the scheme liabilities	**(564)**	678
Cumulative actuarial loss recognised in other comprehensive income	**(2,596)**	(763)

The Group expects to contribute £0.41m to its defined benefit plan in 2013 (2012: £0.32m).