

21 September 2011
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Instem Life Science Systems plc
("Instem", the "Company" or the "Group")

Unaudited Interim Results

Instem Life Science Systems plc (AIM: INS.L), a leading provider of IT applications to the global early development healthcare market, announces its unaudited interim results for the six months ended 30 June 2011.

Financial Highlights

- Revenues held steady at £4.90m (H1 2010: £5.00m)
 - £5.05m at a constant exchange rate
- Recurring revenues accounted for 70% of total revenues (H1 2010: 68%)
- Operating profit before amortisation and non recurring costs of £534k (H1 2010: £724k)
 - £600k at a constant exchange rate
- Closing cash balance as at 30 June 2011 of £1.33m

Operational Highlights

- Continued to win the majority of new business placed in the Early Development Safety Assessment (EDSA) market. Notable new customers included ExxonMobil, ASKA, Experimur TetraQ, Medicilon, Battelle, The Jackson Laboratory
- Encouraging BioWisdom sales and growing pipeline of cross-sale opportunities into Instem customer base
- Customer retention rate remained strong at over 95%
- US government sponsored Standard for the Exchange of Non-clinical Data (SEND) released and expected to be a key driver for Centrus™
- Actively pursuing additional acquisition opportunities

Phil Reason, CEO of Instem Life Science Systems plc, commented:

"Given the changes taking place within the pharma market, we have been pleased with progress in the first half of the year, securing several prestigious new customers, as well as achieving additional sales to our current customers. The market response to the BioWisdom acquisition has been extremely positive and we believe it will be a driver of growth in future periods. There is considerable scope for further consolidation within our broader market and we continue to pursue other acquisition opportunities.

"We believe that our enlarged product set means we are well positioned to benefit from the pharmaceutical market's requirement to increase operational efficiencies through the growing interest in the re-use of data. Whilst the timing of entering into new contracts is not entirely within our control, we have entered the second half of the year with a strong pipeline, which combined with our growing recurring revenue base, enhanced product set and continued market leadership gives us confidence in the continued success of Instem."

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About Instem Life Science Systems plc

Instem (AIM:INS.L) is a leading supplier of IT solutions to the early development healthcare market. Instem's pre-clinical study management solutions accelerate drug and chemical development by increasing productivity, automating processes and enhancing practices that lead to safer and more effective drugs.

In March 2011 Instem acquired BioWisdom Limited, a leading provider of software solutions for extracting intelligence from R&D related healthcare data. The acquisition broadened and strengthened Instem's Centrus™ product suite, accelerating the product development roadmap.

Instem has over 130 customers in North America, Europe, China, India and Japan, including sixteen of the top twenty pharmaceutical and biotech companies such as GlaxoSmithKline and AstraZeneca. The Company employs over 110 people in six offices in the U.S, UK, and China; with additional resource locations in India and a full service distributor in Japan. It is estimated that approximately half of the world's pre-clinical drug safety data has been collected over the last 20 years via Instem software.

To learn more about Instem please visit the Company's website, www.instem.com, or its investor centre <http://investors.instem.com/>.

Chairman's Statement

2011 is our first full financial year as a public company. Consequently our performance during the first 6 months of this period, both operationally and financially, is of particular importance.

Key to the success of our long term strategy will be our ability to consolidate the fragmented Early Development Applications (EDA) supplier base. To this extent we were delighted to announce the acquisition of BioWisdom Limited in March of this year. The integration process of the business is virtually complete. We have combined the BioWisdom technology into the Instem Centrus solution suite and have made many combined strategy and product demonstrations. Initial customer reaction to this extension of our business has been extremely positive.

Whilst we are not insulated from the global economic recessionary trends, we believe that we have continued to win the majority of new business in our market, and have a strong sales pipeline for the rest of the year and through 2012. From a technical perspective we are delighted to have made important releases of our new Centrus solution suite, particularly in the light of the formal release of new regulatory submission guidelines from the US Food & Drug Administration.

From a financial perspective the 2011 plans were always budgeted at being second half loaded, but nevertheless the earnings performance for this first half was marginally ahead of our expectation due to a strong performance by BioWisdom.

We continue to believe that Instem's breadth of functionality and geographic reach provides a strong proposition in the fragmented EDA market. With the large pharmaceutical companies continuing to look to streamline their providers and increasingly outsource lab processes, market drivers are becoming more favourable. We continue to assess opportunities for further market consolidation, and view the future with confidence.

I would like to take this opportunity to once again welcome the BioWisdom team and customers into Instem and thank all our people, customers and partners for their ongoing support.

Finally, in great sadness, I must mention the shock we all felt on hearing of the sudden and untimely death of our Finance Director, Jim McLauchlan. The Board and Group as a whole has a deep sense of gratitude for the contribution that Jim has made to the business and express our sympathies to his family and friends. We are fortunate that David Sherwin, a founder of Instem and experienced finance director, has been able to fulfil the role of acting Finance Director whilst we search for a replacement.

David Gare

Chairman

20 September 2011

Operational Review

During the half year period we have made significant headway in the development of the business. We have continued to retain as customers the leading names in the pharmaceutical industry whilst expanding our customer base and growing our market share.

Instem came to market last year with a strategy to grow organically through the Provantis® and Centrus product suites and acquisitively into adjacent markets. We are pleased to have actively progressed this strategy during the period through the acquisition of BioWisdom in March 2011; our first acquisition as a public company.

Instem continues to invest in Provantis, its market-leading EDSA product suite, to further consolidate its position as the vendor of choice for solutions that support the identification and development of safer drugs. We secured several new customers, including Battelle and Jackson, and have a strong pipeline of business.

Centrus, which was launched late last year, has expanded Instem's presence to cover the entire process of producing, submitting and managing regulatory compliant data and reports from multiple sources. This product suite has the ability to add value to existing systems, and aids in the integration and sharing of current and historic data between sponsors and partners in a standardised form. The early purchasing of the Centrus submit™ module by some of our key customers to satisfy the new SEND standard demonstrates the success of the initial roll-out of this new product suite.

Business Progress

The Group maintained a good level of sales of additional high margin modules to existing customers, and has signed a number of contracts with new customers in the period. The pipeline of new business remains strong for the rest of the year and into 2012, with an increased level of enquiries being seen across all products.

The Group continues to see uptake of software deployed via the Software-as-a-Service (SaaS) business model both within the smaller laboratory market and for the first time into larger organisations. One such smaller laboratory is Chicago-based Experimur, whose SaaS deployment took just two weeks to be operationally active. This, we believe, is highly impressive for a regulatory compliant deployment and demonstrates the quality of our software. We were also delighted to secure a SaaS contract in the Group's core US market with The Jackson Laboratory, one of the world's largest non-profit, biomedical research institutions. Included in the contract was TRP™ (Toxicology Resource Planning), a module designed to maximise resource utilisation and minimise study execution times. This application is attracting significant interest in the current economic climate.

Battelle, the world's largest independent research and development organisation, purchased the full Provantis suite and the Centrus submit™ module. Although ultimately a traditional on-site deployment, accelerated access to high priority areas is being provided through the SaaS model.

We believe that it is strategically important to have a presence in all major markets where early development facilities are located. Traditionally this has been in North America, Europe and Japan. However, increasingly these facilities are being located in emerging economies such as the People's Republic of China (PRC). We were pleased to continue to make headway in these new markets. In China, Medicilon became our second SaaS client on the Shanghai data centre, and, Pharmaron, a premier R&D service provider based in Beijing, signed further user licenses. In Japan, our distributor CTCLS sold a full system to Aska Pharmaceutical, maintaining its successful momentum in the region.

During the period we extended our footprint in Asia Pacific, signing a contract for Provantis with TetraQ, the first contract research organisation in Australia to provide integrated preclinical services to the global pharmaceutical and biotechnology industries. We anticipate further opportunities in this region over the next 12 months.

Market Developments

We believe the dynamics of the R&D market continue to be favourable for Instem and we are seeing indications amongst our customer base that study volumes are beginning to slowly increase. However, it is clear that with the number of new drug launches remaining broadly flat worldwide and the costs and risks associated with drug development increasing, research-based drug developers are being forced to reevaluate the manner in which they carry out R&D. They are looking to

technology solutions to help reduce development time, cut costs and improve operating efficiency. We expect this to continue to drive demand for our Provantis suite and, in particular, we have seen growing interest in our Provantis Toxicology Resource Planning (TRP™) module. This module maximises resource utilisation and minimises study execution times through sophisticated graphical scheduling tools and powerful “what if” scenarios. TRP was a key component of the SNBL order in late 2010 and both the Jackson and Battelle orders in H1 2011.

Combined with this need to increase efficiencies and reduce costs is a growing pharma tendency to partner with external service providers, such as CROs to share risk. We expect this to create demand for high integrity data sharing solutions. This we address through our Centrus and broader BioWisdom suite of products.

As part of the drive towards the increased compatibility and usability of data, the US government sponsored Standard for the Exchange of Non-clinical Data (SEND) was released during the period and is now aiding Centrus' momentum. We believe this will create opportunity for the uptake of Centrus modules, as the standard aims to harmonise the presentation of vast amounts of data generated during early development, facilitating the retrieval and utilisation of that data both before and after regulatory submission.

BioWisdom Acquisition Integration

As mentioned above, against a backdrop of downsizing, outsourcing and general cost control, our key pharmaceutical industry customers continue to explore innovative information technologies to improve the economics and efficiency of drug development. There is a growing need for low cost (therefore shared) access to information to improve both the science and economics of R&D. In the last twelve months we have seen a trend toward more pre-competitive collaboration between the various constituents of the pharmaceutical industry and increased information sharing, particularly in the challenging areas of safety and toxicology. With the acquisition of BioWisdom in March we have significantly strengthened our offering in this area.

Pharmaceutical development is fundamentally dependent upon knowledge which is continually evolving. The understanding of the consequences of drug exposure relies on the ability to analyse highly complex and dynamic inter-relationships between elements such as chemistry, biology and the environment. The need to evaluate these relationships across millions of data points in thousands of databases and documents, drives the need for innovations in information technology, such as those provided by BioWisdom.

We believe BioWisdom's innovative intelligence solutions for the extraction, integration and analysis of medical knowledge will appeal to our market and we are beginning to experience a number of such related enquires. In particular, we have seen interest in the potential for the re-use of non-clinical regulatory data for 'investigational' applications. This provides a further opportunity for new business development in Instem's core market.

In the period, BioWisdom has continued to see strong sales of its lead product, its SRS data integration platform. This is an established product in the market with a large installed user base. We believe an opportunity for future growth is its Metawise system. This is a cloud-based semantic technology which can help software applications (via web services) identify concepts in unstructured medical text and translate them so that they comply with industry standards e.g. SEND 3.0 or SNOMED CT.

Since March, we have been delighted by the response of our customer base to the addition of the BioWisdom products to our product suite. Integration of the business is virtually complete and we are continuing to integrate product functionality extending the roadmap of Centrus. We have trained our combined sales team in the additional products and are generating an encouraging pipeline of both cross sales and potential new customers.

Financial Review

The financial results demonstrate a solid performance in the period with total revenues steady at £4.90m, being £5.05m at a constant exchange rate (H1 2010: £5.00m). Revenues from our core business were lower than in the comparable half, due, in part, to a major customer project having been delivered in that half year. The revenues included a strong first time contribution from BioWisdom of £562k from March 3rd 2011 to the end of H1.

The business continued to expand in our developing markets with revenue from outside North America and Europe increasing to £437k (H1 2010: £297K), being 9% of Group revenue (H1 2010: 6%) with wins in Japan and China.

Instem's business model consists of fees for perpetual licenses, annual support, SaaS subscriptions and professional services. In H1 2011 approximately 70% of revenue was of a recurring nature (H1 2010: 68%), 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 closely monitor the exchange rate. In the period the average exchange rate was \$1.619 compared with an average exchange rate in H1 2010 of \$1.525.

The profit from operations before amortisation and non recurring costs for the period was £534k, being £600k at a constant exchange rate (H1 2010: £724k).

In March 2011 Instem completed its first acquisition since coming to market last year, acquiring BioWisdom Limited for an initial consideration of £200,000 in cash, with a further £700,000 of unsecured debt assumed. A further contingent consideration of up to £600,000 will be payable dependent on achieving turnover targets in the two calendar years 2011 and 2012.

As a result of the acquisition and the normal working capital cycle the Group had net cash reserves of £1.33m as at 30 June 2011, compared to £3.26m as at 31 December 2010.

The Board has not recommended the payment of a dividend.

Outlook

While we are not immune to the general economic situation, market conditions for our enlarged product set continue to be supportive, with the pharmaceutical market investing in technology to increase operational efficiencies and facilitate the increased use of data. The market response to the BioWisdom acquisition has been extremely positive and we believe it will be a driver of growth in future periods having accelerated our product development and expanded our market opportunity.

An important part of the AIM flotation was our desire to supplement our organic growth with acquisitions of complementary businesses to consolidate our market position, complement our existing products, provide access to adjacent markets and increase efficiencies in the vertical supply chain. With the integration of BioWisdom largely completed, we are actively progressing additional opportunities.

Whilst the timing of entering into new contracts is not entirely within our control, we have a strong pipeline in the second half of the year and into 2012 which, combined with our growing recurring revenue base, enhanced product set and continued market leadership gives us confidence in the continued success of Instem.

Phil Reason
Chief Executive
20 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	Unaudited Six months ended 30 June 2011 £000	Unaudited Six months ended 30 June 2010 £000	Audited Year ended 31 December 2010 £000
REVENUE				
Existing		4,331	5,003	10,001
Acquisitions		562	-	-
Total		4,893	5,003	10,001
Operating expenses		(4,359)	(4,279)	(7,768)
PROFIT FROM OPERATIONS BEFORE NON RECURRING ITEMS AND AMORTISATION		534	724	2,233
Existing		291	724	2,233
Acquisitions		243	-	-
Total		534	724	2,233
Non-recurring operating costs		-	(347)	(388)
Amortisation of intangibles		(154)	(30)	(34)
PROFIT FROM OPERATIONS		380	347	1,811
Non-recurring costs	4	(106)	-	(295)
Finance income		265	183	263
Finance costs		(245)	(326)	(364)
PROFIT BEFORE TAXATION		294	204	1,415
Taxation	5	(170)	(77)	(514)
PROFIT FOR THE FINANCIAL PERIOD/YEAR		124	127	901
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
Actuarial (loss) on retirement benefit obligations		(27)	(17)	(576)
Deferred tax on actuarial (loss)		7	5	147
Currency translation differences on foreign currency net investment		39	110	18
OTHER COMPREHENSIVE INCOME/(EXPENSE)		19	98	(411)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD/YEAR		143	225	490
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
		124	127	901
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
		143	225	490
Earnings per Share - Basic (p)	3	1.1	2.0	11.7
- Diluted (p)	3	1.1	2.0	11.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Unaudited 30 June 2011	Unaudited 30 June 2010	Audited 31 December 2010
Note	£000	£000	£000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8,122	6,223	6,417
Property, plant and equipment	142	125	166
Deferred tax	322	266	321
TOTAL NON-CURRENT ASSETS	8,586	6,614	6,904
CURRENT ASSETS			
Inventories	166	44	137
Trade and other receivables	2,275	1,256	1,595
Cash and cash equivalents	1,332	6	3,263
Other financial assets	-	13	-
Current Taxation	180	-	-
TOTAL CURRENT ASSETS	3,953	1,319	4,995
TOTAL ASSETS	12,539	7,933	11,899
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5,253	5,588	5,536
Current taxation	-	309	85
Financial liabilities	1,020	1	253
TOTAL CURRENT LIABILITIES	6,273	5,898	5,874
NON-CURRENT LIABILITIES			
Financial liabilities	241	-	-
Retirement benefit obligations	7 1,281	950	1,477
Deferred tax	-	8	-
TOTAL NON-CURRENT LIABILITIES	1,522	958	1,477
TOTAL LIABILITIES	7,795	6,856	7,351
EQUITY			
Share capital	1,171	649	1,171
Share premium	7,813	4,218	7,813
Merger Reserve	(932)	-	(932)
Translation reserve	416	469	377
Retained earnings	(3,724)	(4,259)	(3,881)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	4,744	1,077	4,548
TOTAL EQUITY AND LIABILITIES	12,539	7,933	11,899

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June 2011 £000	Unaudited Six months ended 30 June 2010 £000	Audited Year ended 31 December 2010 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Result before taxation	294	204	1,415
Adjustments for:			
Depreciation	36	35	75
Amortisation of intangibles	154	30	34
Share based payments	53	-	21
Retirement benefit obligations	(251)	-	(206)
Finance income	(265)	(183)	(263)
Finance costs	245	326	364
Forward contract valuation movement	12	-	-
CASH FLOWS FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	278	412	1,440
<i>Changes in working capital:</i>			
Increase in inventories	(29)	(14)	(75)
Decrease in trade and other receivables	(549)	822	266
Decrease in trade and other payables	(1,082)	(935)	(915)
Decrease in provisions	-	(62)	-
CASH (USED IN)/GENERATED FROM OPERATIONS	(1,382)	223	716
Finance costs	(211)	(371)	(296)
Income tax paid	(207)	(20)	(510)
NET CASH USED IN OPERATING ACTIVITIES	(1,800)	(168)	(90)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	265	161	263
Income tax paid	(153)	(45)	(95)
Acquisition of BioWisdom – initial cash consideration net of cash acquired	(59)	-	-
Purchase of intangible assets	(117)	(163)	(361)
Purchase of property, plant and equipment	(11)	(29)	(111)
NET CASH USED IN INVESTING ACTIVITIES	(75)	(76)	(304)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	-	-	9,150
Share issue costs	-	-	(731)
Stamp duty	-	-	(83)
Series "A" Loan notes repaid	-	-	(4,897)
Repayment of loan notes	(44)	(2,549)	(2,549)
Payment of finance lease liabilities	(3)	(2)	(4)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(47)	(2,551)	886
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,922)	(2,795)	492
Cash and cash equivalents at start of year	3,263	2,716	2,716
Effect of exchange rates on cash and cash equivalents	(9)	85	55
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	1,332	6	3,263

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Called up share capital £000	Share Premium £000	Merger Reserve £000	Translation Reserves £000	Retained earnings £000	Total Equity £000
Balance as at 31 December 2009	649	-	4,218	359	(4,374)	852
Profit for the period	-	-	-	-	127	127
Other comprehensive income/(expense)	-	-	-	110	(12)	98
Share based payments	-	-	-	-	-	-
Balance as at 30 June 2010	649	-	4,218	469	(4,259)	1,077
New share capital	522	8,628	-	-	-	9,150
Costs of issue	-	(815)	-	-	-	(815)
Loan notes issued on acquisition	-	-	(5,150)	-	-	(5,150)
Profit for the period	-	-	-	-	774	774
Other comprehensive income/(expense)	-	-	-	(92)	(417)	(509)
Share based payments	-	-	-	-	21	21
Balance as at 31 December 2010	1,171	7,813	(932)	377	(3,881)	4,548
Profit for the period	-	-	-	-	124	124
Other comprehensive income/(expense)	-	-	-	39	(20)	19
Share based payments	-	-	-	-	53	53
Balance as at 30 June 2011	1,171	7,813	(932)	416	(3,724)	4,744

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2011

GENERAL INFORMATION

The principal activity of the Instem Life Science Systems Limited and subsidiaries is the provision of world class information solutions for life sciences research and development.

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 Life Science Systems plc and its subsidiary undertakings made up to 30 June 2011. The Group's accounting reference date is 31 December and the financial information is drawn up to the Friday nearest to the accounting reference date. The financial information for the six months ended 30 June 2011 covers the 26 weeks to 1 July 2011 (26 weeks ended 2 July 2010; 53 weeks ended 1 January 2010).

The company is a public limited liability company 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 2010 is also unaudited.

Instem Life Science Systems plc's consolidated statutory accounts for the year ended 31 December 2010, prepared under UK GAAP, 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 1 July 2011 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 2011.

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 Life Science Systems plc and 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 applications to the global healthcare market, and that therefore there are no additional segmental disclosures to be made in these financial statements.

3. Earnings per Share

(a) Basic

	Six months ended 30 June 2011 Unaudited	Six months ended 30 June 2010 Unaudited	Year ended 31 December 2010 Audited
Profit attributable to equity holders of the company (£'000)	124	127	901
Weighted average number of ordinary shares in issue (000's)	11,714	6,486	7,698
Basic earnings per share (p per share)	1.1	2.0	11.7

b) Diluted

	Six months ended 30 June 2011 Unaudited	Six months ended 30 June 2010 Unaudited	Year ended 31 December 2010 Audited
Profit attributable to equity holders of the company (£'000)	124	127	901
Weighted average number of ordinary shares in issue (000's)	11,714	6,486	7,698
Adjustments for: - share options (000's)	7	-	23
Weighted average number of ordinary shares for Diluted earnings per share (000's)	11,721	6,486	7,721
Diluted earnings per share (p per share)	1.1	2.0	11.7

4. Non recurring costs

Non recurring costs represent professional fees and other costs incurred in the acquisition of BioWisdom (2010; flotation costs).

5. Taxation on ordinary activities

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Current tax:			
Corporation tax	83	42	117
Foreign tax	68	34	274
Total current tax	151	76	391
Deferred tax:			
Total deferred tax	19	1	123
Income tax expense	170	77	514

6. Acquisition of BioWisdom

On 3 March 2011 the Company acquired the whole share capital of BioWisdom Limited using initial cash consideration and a deferred element, based upon revenue performance, of cash and shares. The following shows the provisional fair value calculations:

	£'000
Initial consideration in cash	200
Deferred, performance relates consideration - cash	244
- shares	<u>245</u>
Total estimated consideration	<u>689</u>
Assets and liabilities acquired	£'000
Intangible Assets (net of Deferred Tax)	908
Property Plant and Equipment	1
Trade and other Receivables	131
Cash and Cash Equivalents	141
Trade and other Payables	(851)
Financial liabilities	(544)
Deferred Tax on losses b/fwd	<u>405</u>
Net Assets acquired	<u>191</u>
Goodwill	<u>498</u>

7. Retirement benefit obligations

The latest full actuarial valuation of the defined benefit scheme, the Instem LSS Pension Scheme, was carried out at 5 April 2008 and was updated to 31 December 2010 by a qualified independent actuary. The valuation was also assessed by the actuary as at 30 June 2010 and 30 June 2011. The value of assets held by the Scheme was calculated by reference to monthly statements from the Scheme asset management company. The liabilities were calculated by the actuary on a basis consistent with the valuation carried out at 31 December 2010.

8. Availability of this Interim Announcement

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

INDEPENDENT REVIEW REPORT TO INSTEM LIFE SCIENCE SYSTEMS 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 2011 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related notes. 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 2011 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.

Baker Tilly UK Audit LLP

Chartered Accountants
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20 September 2011