24 September 2014

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

Unaudited Interim Results

Instem plc (AIM: INS.L), a leading provider of IT systems and services to the global life sciences community, announces its unaudited interim results for the six months ended 30 June 2014.

The Group has made good progress in the first half, concentrating on the integration of acquisitions, a corporate reorganisation to align management and staff with core lines of business and substantial investment in the initiation of the 10-year NIEHS contract. The first half results do not reflect the benefit of these major structural changes but the focus and momentum created is reflected in our expectations for the second half, which we anticipate will be a significant improvement on the second half of 2013.

In addition, whilst there are sufficient well-qualified new contract opportunities in Q4 to meet expectations for 2014, there is some uncertainty around the anticipated receipt of a small number of high value contracts in the period. If these contracts are not received by the year-end this could have a material impact on the results for the full year.

Financial Highlights

- Revenues increased 4% to £5.7m (H1 2013: £5.5m)
    - Recurring revenues remained constant at £4.2m representing 74% of total revenues (H1 2013: £4.2m representing 76% of total revenues)
    - Software as a Service (SaaS) revenues increased 6% to £0.8m (H1 2013 £0.7m)
- Adjusted operating profit* of £0.05m (H1 2013: £0.7m)
- Seasonal net operating cash outflow of £1.6m (H1 2013 £0.6m)
- Cash balance as at 30 June 2014 of £(0.2)m (30 June 2013: £0.9m), reflecting normal seasonality in cash collection, acquisition related payments of £0.2m and lower receipts from new business
- Adjusted** (loss)/earnings per share of (1.2)p (H1 2013: 3.2p)
- Basic loss per share of (4.7)p (H1 2013: (0.7)p)

**before amortisation of intangibles, share based payments and non-recurring costs*
***After adjusting for the effect of foreign currency exchange on the revaluation of inter-Group balances included in finance income/(costs), non-recurring items and amortisation of intangibles on acquisitions.*

Operational Highlights

- Provantis pre-clinical study management suite continued to enhance its market leading position
    - Initial contract from WIL Research – for Provantis, Centrus submit™ and Logbook
    - Contract with NCDSER, former Shanghai government laboratory, enhancing position in China market
    - Multi-year NIEHS contract extended with 2 additional sites and 100 additional users
- Further contract wins for the submit™ data management system
- Successful initial period for newly acquired Perceptive Instruments including signing of 20 new clients for traditional products and launch of new product Cyto Study Manager
- Contracts with Nuvisan and CRU Hungary for the Alphadas clinical study management product
- Upgraded entire product portfolio during period under review, enhancing competitive position

Phil Reason, CEO of Instem plc, commented: "Whilst the market held back on investment commitments during the first half, we continued to make good strategic progress during the period under review. All our business lines achieved important favourable contract decisions and key product software releases were made. Importantly, our two recent acquisitions are contributing to revenues and progressing well.

"We believe that we are well positioned to benefit from market dynamics whereby global pharmaceutical organisations are now reallocating investment from late to early stage development work. Furthermore, the market is increasingly recognising the benefit of IT solutions which enable efficiencies in R&D processes and satisfy growing regulatory requirements.

"Whilst there are sufficient well-qualified new contract opportunities in Q4 to meet expectations for 2014, there is some uncertainty around the anticipated receipt of a small number of high value contracts in the period. If these contracts are not received by the year-end this could have a material impact on the results for the full year."

For further information, please contact:

Instem plc Phil Reason, CEO Nigel Goldsmith, CFO	+44 (0) 1785 825 600
N+1 Singer (Nominated Adviser & Broker) Richard Lindley Nick Owen	+44 (0) 20 7496 3000
Walbrook Financial PR Bob Huxford Sam Allen Paul McManus	+44 (0) 20 7933 8000

About Instem

Instem is a leading supplier of IT systems and services to the global life sciences community delivering compelling solutions for data collection, management and analysis across the R&D continuum. Instem applications are used by customers worldwide, meeting the expanding needs of life science and healthcare organisations for data-driven decision making leading to safer, more effective products.

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

Instem supports over 400 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

Operationally, much has been achieved in the six month period. As I said at the commencement of the year our priority for 2014 was to consolidate our market position and fully integrate our recent acquisitions. These two acquisitions have bedded down well:

- Perceptive Instruments, whose products extend our pre-clinical offering into the in vitro market, was fully integrated during the period. Further, as planned, the Cyto Study Manager product in June. This product is used for reporting genetic toxicology assays.
- Logos (now Instem Clinical), whose products bring us into the adjacent early phase clinical market, has successfully achieved all of its earn out targets to date.
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The level of new business placed in the six month period was lower than expected, possibly impacted by global pharma M&A activity during this time, affecting both profits and cash received. The weakness of the US dollar also had a small further negative impact on the results. However, we continued to strengthen our position in each of our product markets.

Recently, market activity has improved and we expect this to continue for the remainder of the year. Further, with a number of clients committed to multi- year partnerships, an excellent base has been established for future years.

Significant new releases were also made for our Provantis, Alphadas and Submit products. These were all important in maintaining and supplementing the reputation of the Group with its client base. We also implemented a number of changes to improve the efficiency of our operations. These included reducing our office space in Liverpool, doubling the size of our Indian based technology team and streamlining a number of internal functions.

Instem continues to be the leading supplier of IT solutions to the preclinical and early clinical market place, and with global pharmaceutical organisations now moving resources back into early stage development we are well placed to benefit from the market opportunities this development presents.

David Gare
Non Executive Chairman
24 September 2014

Operational Review

Instem continues to be a leading supplier to many of the world's largest life science organisations and laboratories, supplying the tools to streamline R&D processes, resulting in increased client efficiency, shorter product development timelines and reduced costs.

During the period under review the Group has improved its leading position within the markets in which it operates as the result of product upgrades, the extension of the product portfolio, the integration of recent acquisitions and the award of a number of strategically important contracts. The Group has also increased internal operational efficiencies through extending its offshore operations and streamlining a number of internal functions.

In line with its strategy, Instem experienced further growth in demand for the SaaS based delivery of its software, including additional products deployed for the first time in this fashion. Total SaaS revenue for the period was up 6% to £0.8m (H1 2013: £0.7m) and this, combined with annual licence renewals, continues to provide the Group with strong forward visibility. Recurring revenues for the period, including SaaS and support and maintenance revenues, accounted for 74% of total revenues (H1 2013: 76%).

Acquisitions

The IT supplier community within the early development biology market is highly fragmented and the Group's customer base has indicated a preference to purchase software from a smaller number of core providers, such as Instem. There is a need to consolidate the supplier landscape in order to enhance data integration amongst and between the customer bases and assisting in that consolidation is a core element of Instem's strategy.

In line with this strategy Instem expanded its range of products through the acquisitions of two complementary technology companies in 2013. In May 2013, Instem entered the early stage clinical market acquiring London-based Logos Technologies ("Logos") and its ALPHADAS software suite. In November 2013 the Group entered the in-vitro R&D marketplace through the acquisition of Perceptive Instruments.

Perceptive Instruments is now fully integrated and traded in line with our expectations for the first half of the year. The first earn out payment for Logos was made during the six months under review and the second made post period end, with Logos achieving its earn out target for both periods.

Both acquisitions are complementary to Instem's product portfolio and are providing cross-selling opportunities with existing and new clients.

Product Portfolio

The Group offers software via perpetual licences and term-based subscriptions, and, in line with its strategy, has continued to see growing demand for its SaaS model. Instem continually works to ensure its solutions remain the leading offerings within the markets in which it operates. As such, Instem has upgraded its entire product portfolio during the period under review, enhancing its competitive position.

Provantis

Provantis is the leading product for study management in the preclinical safety assessment market.

In March the Group received further endorsement for its SaaS based software suite from the National Institute of Environmental Health Sciences (NIEHS), part of the US National Institutes of Health (NIH), as it exercised options to add two further operational sites and 100 additional Provantis users. This increases the probability that the multi-year contract signed in 2013 will

provide ten-year revenue at the upper end of the $6.2m-$7.6m range envisaged in the initial agreement.

In May, the Group announced that it had been selected by WIL Research ("WIL"), a global contract research organisation ("CRO"), as its exclusive non-clinical technology partner to optimise study-related processes at all WIL sites worldwide. WIL Research has approximately 1,200 staff offering a blend of technical and regulatory expertise in discovery support, product safety toxicological research, metabolism, bioanalytical chemistry, analytical chemistry and formulation services.

In June, Instem signed a five-year contract with the National Shanghai Center for Drug Safety Evaluation and Research (NCDSER), a leading Chinese CRO, for its preclinical software suite to automate laboratory processes at their R&D facility in China.

Submit

Submit is Instem's software solution for organisations which require to meet the US FDA sponsored Standard for the Exchange of Non-Clinical Data (SEND) It is based on our Centrus™ technology suite for the exchange, aggregation, collation and reporting of early drug development information. Strong momentum has continued to build with submit, our newest product suite.

The submit solution suite converts data from any source system into SEND files and allows sponsors, CROs and regulators such as the FDA to share, visualise and analyse study data more efficiently.

In May the Group announced that WIL Research had selected Instem's submit solution and in July, Instem signed a contract with a leading multi-national corporation from the Asia-Pacific region, for the product.

ALPHADAS

Instem's solution for the early phase clinical market, ALPHADAS, has performed well in the period and has generated strong order intake.

The Group signed two ALPHADAS agreements with new clients during the period. A SaaS contract was signed with Nuvisan, a strong reference CRO client in an attractive German market, and a further agreement was signed with CRU Hungary, a hospital based Clinical Research Center.

Instem Scientific

The analysis of historic data to provide scientific insight is gaining increasing focus within the life sciences industry. Instem Scientific's products are designed to enable clients to leverage large volumes of public and proprietary historic data, to enable considerable value to be unlocked from prior research investments. During the period Instem won six new Omniviz and Textviz clients.

Perceptive Instruments ("Perceptive")

Perceptive was acquired in November 2013 to enhance Instem's Study Workflow and Automation Suites and to bring the Group into the in vitro study management market. The integration of Perceptive has now been successfully completed and the acquisition is progressing well. During the six months under review Instem has signed over 20 new clients for their products.

A new product, Cyto Study Manager, was also launched and there has been strong interest from existing clients, who can use it to supervise and orchestrate studies that are being conducted using existing Perceptive products.

Market Overview

Citeline®, which claims 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 7.9% in the past year. This represents the largest rise on record in absolute terms. Within this, there is evidence that the global pharmaceutical market is now moving resources back from late stage development into early stage work in order to refill the pipeline of preclinical candidates. Instem is well positioned to benefit from this trend, given the Group focuses on the early stage markets.

In these markets there is particular focus on IT solutions which drive efficiencies and which enable organisations to meet increasing regulatory demands. Regulatory authorities' preference for receiving data for new drug submissions electronically continues to grow, while pharmaceutical organisations are seeking tools that can analyse historic data in order to generate further insight and value from prior development work.

PreClinical market

A sustained recovery in study volumes is currently being reported by PreClinical CROs as pharmaceutical organisations are currently seeking to replenish early stage pipelines after five years focused predominately on late stage clinical candidates. This is supported by the recent Citeline® report which shows the PreClinical drug pipeline to have increased by 7.4% in the last year with CROs accounting for the majority of the increase.

It is still not clear when the FDA will be mandating the Standard for the Exchange of Nonclinical Data (SEND) but there is a growing sense that this is ultimately inevitable. Such a development would further contribute to a growing pipeline of opportunities in this area.

While increased preclinical study volume is helping to create opportunities with the pharma sponsors, recent increases in pharma M&A activity has led to PreClinical CROs reporting a continuation in suppressed demand from Europe and Japan. However, these further report that demand from the North American and Chinese markets, which traditionally lead the European and Japanese markets, has increased.

Early Stage Clinical market

The recent market study from Citeline® reported a 6.6% increase in the Early Stage Clinical pipeline after a decline in 2013. Anecdotal evidence on the Early Stage Clinical market is less consistent with some CROs reporting marked increases in study volume and others still with capacity to spare.

The early stage clinical market is immediately downstream of preclinical and there may therefore be a delay before the preclinical investment delivers an increased flow of drug candidates to the clinic. The restructuring of the early phase clinical CRO market, as experienced in recent years, is expected to continue with CRO performance quite variable.

Nevertheless opportunities 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 low.

Growth Strategy

Instem's goal is to extend its leading position in the market for IT systems and services to the global life sciences community. The Group will continue to pursue its strategy of organic growth, through further market penetration from existing product suites, the introduction of new solutions through product development and exclusive third party product licensing arrangements into pharmaceutical organisations, CROs and research institutions.

Focus will be on client retention and increasing recurring revenues with an emphasis on long term profit growth and cash generation over revenue growth. The trend towards SaaS contracts is a move in this direction.

As mentioned above, large pharmaceutical organisations prefer to work with a smaller number of strategic providers for their research software needs and this is key to our acquisition strategy. The Group will continue to selectively pursue additional bolt-on acquisitions that provide access to adjacent markets and additional growth prospects.

Financial Review

Instem's business model consists of fees for perpetual licences and annual support, SaaS subscriptions and professional services. In the period, approximately 74% (H1 2013: 76%) of revenue was of a recurring nature from annual support fees and SaaS subscriptions.

Profit from operations before amortisation, share-based payment and non-recurring costs for the period, was £0.1m (H1 2013: £0.7m). Operating expenses increased by £1.0m in the half year over the equivalent period in 2013, largely due to the operating costs of the two acquisitions made in 2013. Amortisation increased by £0.2m compared to the equivalent period in 2013 for the same reason.

Development costs incurred in the period were £0.5m (H1 2013: £0.8m), of which £0.1m were capitalised (H1 2013: £0.1m).

Non-recurring items include a charge of £0.04m in respect of fees associated with the implementation of the Perceptive Instruments acquisition.

The funding deficit of Instem's defined benefit pension scheme remained constant during the period at £3.5m, calculated in accordance with the provisions of IAS1*9.*

Instem's cash flow is seasonal, with cash inflow being weighted to the second half of the year, resulting from the number of annual fee renewals occurring at the year end. As a result of the normal working capital cycle, cash at the end of June 2014 was £(0.2)m (H1 2012: £0.9m) compared with £2.1m at December 2013. This was also affected by a lower than expected level of new business in the period. A payment of £0.2m was also made in the period for contingent consideration relating to the acquisition of Logos (Instem Clinical).

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 2013 Annual Report.

Outlook

Whilst the market held back on investment commitments during the first half, we continued to make good strategic progress during the period under review. All our business lines achieved important favourable contract decisions and key product software releases were made. Importantly, our two recent acquisitions are now fully integrated, contributing to revenues and progressing well.

We believe that we are well positioned to benefit from current market dynamics whereby global pharmaceutical organisations are now reallocating investment from late to early stage development work. Furthermore, the market is increasingly recognising the benefit of IT solutions that enable efficiencies in R&D processes and satisfy growing regulatory requirements.

Whilst there are sufficient well-qualified new contract opportunities in Q4 to meet expectations for 2014, there is some uncertainty around the anticipated receipt of a small number of high value contracts in the period. If these contracts are not received by the year-end this could have a material impact on the results for the full year.

Phil Reason
Chief Executive
24 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014 £000	Unaudited Six months ended 30 June 2013 £000	Audited Year ended 31 December 2013 £000
REVENUE		5,701	5,484	11,361
Operating expenses		(5,653)	(4,802)	(9,685)
PROFIT FROM OPERATIONS BEFORE AMORTISATION, SHARE BASED PAYMENT AND NON RECURRING COSTS		48	682	1,676
Amortisation of intangibles		(464)	(233)	(620)
Share based payment		(41)	(53)	(96)
(LOSS)/PROFIT BEFORE NON RECURRING COSTS/INCOME		(457)	396	960
Non-recurring costs	4	(38)	(110)	(200)
(LOSS)/PROFIT FROM OPERATIONS		(495)	286	760
Finance income		1	4	145
Finance costs		(178)	(290)	(207)
(LOSS)/PROFIT BEFORE TAXATION		(672)	-	698
Income tax	5	105	(78)	(169)
(LOSS)/PROFIT FOR THE PERIOD/YEAR		(567)	(78)	529
OTHER COMPREHENSIVE EXPENSE				
Actuarial loss on retirement benefit obligations		(240)	(297)	(587)
Deferred tax on actuarial loss		48	68	30
Exchange differences on translating foreign operations		1	111	(90)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD/YEAR		(191)	(118)	(647)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD/YEAR		(758)	(196)	(118)
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT GROUP		(567)	(78)	529
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT GROUP		(758)	(196)	(118)
Earnings per Share from continuing operations				
- Basic	3	(4.7)p	(0.7)p	4.5p
- Diluted	3	(4.7)p	(0.7)p	4.5p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Unaudited 30 June 2014 £000	Unaudited 30 June 2013 £000	Audited 31 December 2013 £000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12,734	11,439	12,887
Property, plant and equipment	292	229	265
Deferred tax assets	395	654	388
TOTAL NON-CURRENT ASSETS	13,421	12,322	13,540
CURRENT ASSETS			
Inventories	397	267	307
Trade and other receivables	2,508	3,760	2,908
Current tax assets	385	132	-
Cash and cash equivalents	-	926	2,053
TOTAL CURRENT ASSETS	3,290	5,085	5,268
TOTAL ASSETS	16,711	17,407	18,808
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	191	-	-
Trade and other payables	5,846	7,738	7,236
Derivative financial instrument	-	17	-
Current tax liabilities	-	-	7
Financial liabilities	1,100	-	1,250
TOTAL CURRENT LIABILITIES	7,137	7,755	8,493
NON-CURRENT LIABILITIES			
Financial liabilities	1,557	1,563	1,836
Retirement benefit obligations	3,510	3,237	3,506
TOTAL NON-CURRENT LIABILITIES	5,067	4,800	5,342
TOTAL LIABILITIES	12,204	12,555	13,835
EQUITY			
Share capital	1,200	1,176	1,176
Share premium	8,118	7,892	7,892
Merger Reserve	(932)	(932)	(932)
Shares to be issued	311	227	270
Translation reserve	195	395	194
Retained earnings	(4,385)	(3,906)	(3,627)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	4,507	4,852	4,973
TOTAL EQUITY AND LIABILITIES	16,711	17,407	18,808

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014 £000	Unaudited Six months ended 30 June 2013 £000	Audited Year ended 31 December 2013 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Result before taxation	(672)	-	698
Adjustments for:			
Depreciation	90	64	96
Amortisation of intangibles	464	233	620
Share based payments and shares to be issued	41	53	96
Retirement benefit obligations	(310)	(322)	(412)
Net foreign exchange (loss)/gain	(65)	(89)	84
Finance income	(1)	(4)	(145)
Finance costs	178	290	207
Forward contract valuation movement	-	17	-
CASH FLOWS FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL	(275)	242	1,244
Changes in working capital:			
Increase in inventories	(99)	(169)	(210)
Decrease in trade and other receivables	215	271	823
(Decrease)/increase in trade and other payables	(1,132)	(963)	31
CASH (USED IN)/GENERATED FROM OPERATIONS	(1,291)	(619)	1,888
Finance costs	(17)	(24)	(9)
Income tax paid	(246)	60	74
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,554)	(583)	1,953
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	1	4	61
Purchase of intangible assets	(311)	(149)	(407)
Purchase of property, plant and equipment	(119)	(105)	(171)
Acquisition – Cash consideration	(200)	-	-
Acquisition of subsidiary	-	(575)	(2,710)
Cash acquired with subsidiary	-	22	1,134
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(629)	(803)	(2,093)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayments	-	(250)	(250)
NET CASH USED IN FINANCING ACTIVITIES	-	(250)	(250)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,183)	(1,636)	(390)
Cash and cash equivalents at start of year	2053	2,450	2,450
Effect of exchange rate changes on the balance of cash held in foreign currencies	(61)	112	(7)
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	(191)	926	2,053

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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 2013	1,176	7,892	(932)	174	284	(3,599)	4,995
Share Issue	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(78)	(78)
Other comprehensive income/(expense)	-	-	-	-	111	(229)	(118)
Share based payment	-	-	-	53	-	-	53
Balance as at 30 June 2013	1,176	7,892	(932)	227	395	(3,906)	4,852
Profit for the period	-	-	-	-	-	607	607
Other comprehensive income/(expense)	-	-	-	-	(201)	(328)	(529)
Share based payment	-	-	-	43	-	-	43
Balance as at 31 December 2013	1,176	7,892	(932)	270	194	(3,627)	4,973
Share Issue	24	226	-	-	-	-	250
Loss for the period	-	-	-	-	-	(567)	(567)
Other comprehensive income/(expense)	-	-	-	-	1	(191)	(190)
Share based payment	-	-	-	41	-	-	41
Balance as at 30 June 2014	1,200	8,118	(932)	311	195	(4,385)	4,507

NOTES TO THE FINANCIAL INFORMATION
For the six months ended 30 June 2014

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

Notes to the accounts

1. Basis of preparation and accounting policies

Basis of preparation
The Group's half-yearly financial information, which is unaudited, consolidates the results of Instem plc and its subsidiary undertakings made up to 30 June 2014. The Group's accounting reference date is 31 December.

The Group is a public limited liability Group incorporated and domiciled in England & Wales. The consolidated financial information is presented in Pounds Sterling (£) which is also the functional currency of the parent.

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

The financial information for the six months ended 30 June 2013 is also unaudited.

Instem plc's consolidated statutory accounts for the year ended 31 December 2013, prepared under IFRS, have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies
The accounting policies used in the preparation of the financial information for the six months ended 30 June 2014 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 2014.

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

Instem plc and 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 systems and services for the global life sciences community, 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 2014 Unaudited	Six months ended 30 June 2013 Unaudited	Year ended 31 December 2013 Audited
(Loss)/Profit after tax (£000)	(567)	(78)	529
Weighted average number of shares (000's)	11,954	11,765	11,765
Basic (loss)/earnings per share (p per share)	(4.7)	(0.7)	4.5

(b) Diluted

	Six months ended 30 June 2014 Unaudited	Six months ended 30 June 2013 Unaudited	Year ended 31 December 2013 Audited
(Loss)/Profit after tax (£000)	(567)	(78)	529
Weighted average number of shares (000's)	11,954	11,765	11,765
Adjustments for share options (000's)	-	-	15
Adjusted weighted average number of shares (000's)	11,954	11,765	11,780
Diluted (loss)/earnings per share (p per share)	(4.7)	(0.7)	4.5

The loss and the weighted average number of ordinary shares for the 6 months ended 30 June 2014 and for the 6 months ended 30 June 2013 used for calculating the diluted loss per share are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of International Accounting Standard ("IAS") No 33.

(c) Adjusted

	Six months ended 30 June 2014 Unaudited	Six months ended 30 June 2013 Unaudited	Year ended 31 December 2013 Audited
(Loss)/Profit after tax (£000)	(567)	(78)	529
Non recurring items(£000)	38	110	200
Amortisation on acquisitions (£000)	320	136	394
Currency exchange differences (£000)	65	212	(106)
Adjusted (Loss)/Profit after tax (£000)**	(144)	380	1,017
Weighted average number of shares (000's)	11,954	11,765	11,765
Adjusted (loss)/earnings per share (p per share)	(1.2)	3.2	8.6

4. Non recurring costs

Non recurring costs of £0.04m represent costs incurred in relation to the implementation relating to the acquisition of Perceptive Instruments Limited (2013: £0.1m professional fees incurred in relation to Logos acquisition).

5. Taxation on ordinary activities

	Six months ended 30 June 2014 Unaudited £000	Six months ended 30 June 2013 Unaudited £000	Year ended 31 December 2013 Audited £000
Current tax:			
Corporation tax	(148)	30	42
Foreign tax	50	21	41
R&D tax credit	-	(44)	-
Total current tax	(98)	7	83
Deferred tax:			
Total deferred tax	(7)	71	86
Income tax (credit)/expense	(105)	78	169

6. Availability of this Interim Announcement

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

INDEPENDENT REVIEW REPORT TO INSTEM PLC

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2014 which comprises Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related explanatory notes that have been reviewed. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Group 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 Group 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 Group, 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 Group 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 2014 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
3 Hardman Street
Manchester M3 3HF

24 September 2014