Instem

Information Solutions For Life

Instem plc (formerly Instem Life Science Systems plc)

Annual Report

2011

Instem

Information Solutions For Life

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, subsequently renamed Instem Scientific Limited ("Instem Scientific"), 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, Japan and Singapore, including sixteen of the top twenty pharmaceutical and biotech companies such as GlaxoSmithKline and AstraZeneca. The Group employs over 110 people in seven offices in the US, UK, China and India; with 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.

Our clients include these fine organisations...

AstraZeneca Roche CHARLES RIVER LABORATORIES MERCK SERONO Cephalon

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Highlights

Financial Highlights

- Revenues increased 7.9% to £10.8m (2010: £10.0m)
    - Recurring revenues accounted for 70% of total revenues (2010: 67%)
    - SaaS revenue for 2011 up 29% to £1.02m (2010: £0.79m)
- Adjusted operating profit* £2.0m (2010: £2.3m)
- Reported profit before tax £1.5m (2010: £1.4m)
- Basic earnings per share 8.6p (2010 adjusted: 7.7p)
- Cash generated from operations £1.4m (2010: £0.7m)
- Closing cash balance as at 31 December 2011 of £3.4m (2010: £3.3m)

While revenues for the year were lower than originally anticipated, this was a strong performance in a difficult market and the outturn is marginally ahead of revised expectations. Our pre-clinical product, Provantis, increased its market leading position, benefiting from our investments into SaaS deployment and increased geographic coverage. We saw signs, particularly towards the end of the year, that the Contract Research Organisation sector of our market is starting to recover from a difficult few years and we expect this to continue slowly in 2012. Two of the contracts which were delayed from the second half of 2011 have now been signed in the first quarter of 2012.

The Group remains highly profitable, cash generative and has a strong pipeline of opportunities for the current year. While the Board is conscious of market conditions, our high level of renewals and a substantial contracted order book, combined with a full year's contribution from Instem Scientific underpin our confidence in the year ahead. We continue to pursue additional acquisition opportunities to extend our product offering, new customer relationships and market coverage.

Phil Reason,
Chief Executive

Operational Highlights

- Strong level of Provantis customer wins, with nearly half being secured in the final quarter of the year. New customers included:
    - Battelle, the world's largest independent research and development organisation
    - National Center for Safety Evaluation of Drugs (NCSED), a subsidiary of the Chinese State Food & Drug Administration (SFDA)
    - Champions Oncology, the first deployment of Provantis in a drug efficacy rather than safety application
    - The Jackson Laboratory, one of the world's largest not-for-profit, biomedical research institutions
    - SRI International, a renowned independent, non-profit research institute
- Provantis customer retention rate remained high at over 95%
- Increased presence in emerging markets:
    - Further Asia Pacific market expansion with six new clients in China, Japan, Singapore and Australia
    - Instem India established post-period end to provide flexible software development capability
- Strong performance from BioWisdom, which was acquired in March 2011 (now renamed Instem Scientific)
- Centrus product fully compliant with the recently released US government sponsored Standard for the Exchange of Non-clinical Data (SEND)

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

statement

GROWTH

"The Group grew its client roster in its core markets, expanded further into international markets, most notably China, Singapore and Japan, and developed a strong pipeline of sales opportunities for Centrus."

Chairman's Statement

Against a difficult market backdrop, 2011 was a year of steady progress for Instem.

Whilst we did not achieve the level of growth originally anticipated, we are pleased to report that the Group consolidated its leading position in its core market and saw a significant increase in its customer base. In addition, we were particularly encouraged by the strong contribution made by Instem Scientific (formerly BioWisdom Limited), which we acquired in March 2011. This acquisition was part of the next step in our long term strategy to consolidate the fragmented pharmaceutical software supplier base and we are therefore delighted that it is proving to be such a success. The Board continues to actively pursue similar opportunities.

The results for the year were impacted by the continued uncertainty and budgetary restraints within the broader pharmaceutical market and the Contract Research Organisation (CRO) sub-sector, with conditions in the EU being particularly challenging. Nonetheless, we won the overwhelming majority of new Early Development Safety Assessment (EDSA) business placed worldwide, securing a record level of new customers for Provantis, our core study management software. We believe this success is due to the quality of the suite of products, our ability to deliver this software as both an on-premise and SaaS solution, enabling a greater flexibility of pricing, and our global geographic presence.

We continued to invest in the capabilities of our product sets and will be launching a major new version of Provantis in 2012, for which we are already seeing a good level of interest from current and prospective customers. While sales of Centrus in 2011 were not as high as anticipated, the long-awaited formal adoption of the Standard for the Exchange of Non-clinical Data (SEND) by the FDA in June 2011 is expected to be a key driver for future business.

As anticipated at the time of the Interim Results, the final quarter of the year was particularly strong, suggesting a degree of confidence returning to the market. The timing of these contracts means the Group has entered 2012 with a strong opening order book.

We were saddened by the sudden death of our much respected and well-liked Chief Financial Officer, Jim McLauchlan, in August 2011. He provided invaluable services to the Company, particularly through the IPO process and he continues to be missed by us all. David Sherwin, a Non-executive Director of the Company, temporarily fulfilled the role while we sought a full-time replacement and we thank him for his efforts during that difficult time. We were pleased to secure the services of Nigel Goldsmith in November 2011, joining the Board as Chief Financial Officer. Nigel brings a high level of public company experience and pharmaceutical industry knowledge from his previous positions, including three years as Finance Director at IS Pharma plc (now Sinclair IS Pharma plc), during which he oversaw two equity fundraisings and completed two corporate acquisitions. Nigel is a welcome addition to the Board.

We believe that the dynamics of the global R&D market provide Instem with good organic growth prospects, particularly in the US and emerging markets, with indications that study volumes in these regions are slowly starting to increase. Additionally, the strength of Instem's product portfolio and geographic reach provides a strong position in what is a fragmented software supplier marketplace and we continue to assess opportunities for further market consolidation. We therefore view the future with confidence.

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

David Gare
Chairman

STRENGTH

"The strength of Instem's product portfolio and geographic reach provides a strong position in what is a fragmented software supplier marketplace and we continue to assess opportunities for further market consolidation."

review

Operational Review

We are pleased to report that during the year, in spite of difficult global economic conditions which resulted in a lower outturn than originally anticipated, the Group has made significant progress in all areas of its business, reporting results marginally ahead of revised expectations.

During 2011, as in 2010, Instem won the majority of new business placed in the EDSA market worldwide, testament to both the competitive strengths of Provantis and the Group's ability to offer global services and support. The Group grew its client roster in its core markets, expanded further into international markets, most notably China, Singapore and Japan, and developed a strong pipeline of sales opportunities for Centrus.

In addition, in March 2011, the Company acquired BioWisdom Limited (now called Instem Scientific Limited). This acquisition is proving extremely beneficial to Instem, delivering strong results while adding functionality to our Centrus suite and increasing our addressable market.

Customer Wins and Renewals

Instem maintained its high level of Provantis renewals in the year, with the rate once again 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, with the final quarter of 2011 being the strongest. We believe this is an indication that the workflow pattern experienced earlier in 2011 is now normalising and that the CRO sector is beginning to slowly recover from a difficult few years.

Traditional perpetual licensees for on-premise deployment signed during the year include: US-based Battelle, one of the world's largest independent research and development organisations; Japan-based ASKA Pharmaceutical, a pharmaceuticals manufacturing company; Beijing-based NCSED, a subsidiary of the Chinese State Food & Drug Administration (SFDA); and Genius Pharmaceutical Technology Ltd (Beijing Union), a CRO formed by the commercial offshoot of the Chinese Academy of Medical Sciences and Peking Union Medical College.

As well as securing customers for traditional licences, Instem also saw a good uptake of its software deployed via the SaaS business model both within the smaller laboratory market, for which SaaS provides a lower cost of entry, and for the first time into larger organisations. One such example was Roche, a long-standing client of Instem, who signed a four-year SaaS agreement in October 2011 which extends their use of Provantis, by consolidating several key application areas, harmonising their sites worldwide and replacing several incumbent suppliers.

Total SaaS revenue for 2011 was up 29% to £1.02m (2010: £0.79m). Other new SaaS customers during the year include Chicago-based Experimur, a full-service toxicology testing and research laboratory; Australia-based TetraQ, a highly skilled pre-clinical contract research organisation; a US-based multinational biopharmaceutical company; Shanghai-based Medicilon Inc ("Medicilon"), a widely recognised drug discovery contract research organisation; and US-based Jackson Laboratory, one of the world's largest not-for-profit, biomedical research institutions.

Instem Scientific

There is a growing need for sophisticated, shared access to information to improve both the scientific and economic efficiency of R&D. The acquisition of BioWisdom significantly strengthened Instem's position in this data mining and data sharing market. We believe Instem Scientific's innovative intelligence solutions for the extraction, integration and analysis of medical knowledge is particularly well suited to our market and we have been pleased with the response from customers to this addition to our capabilities.

Instem Scientific had a strong year, maintaining its significant customer relationships. It secured sales of its market leading SRS data integration product and powerful visual analytics platform Omniviz, as well as delivering solutions based on its newer technologies such as MetaWise.

In the twelve months since the acquisition, BioWisdom has been integrated successfully into the Group. Back office processes have been harmonised across the Group and the re-branding to "Instem Scientific" is largely complete. Instem's sales force has been trained on the full range of products now available and processes are in place to facilitate lead generation to the Instem Scientific team. Furthermore, we are now able to showcase new product capabilities to potential new customers, based on Instem Scientific's powerful core competencies.

Increased Presence in Emerging Markets

In 2011 Instem continued to widen its presence beyond the more traditional markets of North America, Europe and Japan to the emerging economies, signing five orders in the emerging Asia Pacific markets. These economies have become strategically important due to their increasing number of early development facilities and the move towards a greater level of automation within established facilities. As the de facto standard in western facilities, 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.

We were pleased with our performance in this market and have made particular headway in the People's Republic of China, where our local presence has proven to be a significant differentiator, as well as in Singapore, Australia and India, where we have subsequently announced the establishment of a new technical support operation.

In June 2011, Shanghai Medicilon purchased a SaaS subscription to the Provantis pre-clinical software solution suite. The purchase incorporates a range of Provantis modules across the areas of general toxicology, clinical pathology and pathology.

In December 2011, the influential NCSED, purchased the Integrated General Toxicology, Clinical Pathology and Pathology modules. NCSED is a subsidiary of the Chinese State Food & Drug Administration (SFDA), which manages and sponsors government and commercial contract research studies throughout China. Also in December, Genius Pharmaceutical Technology Ltd (Beijing Union), based in Beijing, purchased the Provantis preclinical software solution following a comprehensive competitive evaluation of domestic and western products.

Other new customers signed during the year in this region included TetraQ in Australia and a leading multi-national organisation with a research and development facility located in Singapore. Both signed contracts for the Provantis pre-clinical software solution suite. They are being supported by Instem from its operations based in Shanghai, China, underpinning the strategic investment into a localised version of Provantis and the establishment of a full-service offering, complete with local sales support, service implementation and customer support staff – with the ability to also provide support to the broader Asia-Pacific region.

Launch of Indian Office

The Company has for a number of years employed two full time contractors in India. However, based on its initial success in the region, the Board has now approved the launch of local operations, as announced on 26 March 2012. Instem India is expected to be launched in the first half of 2012 and will provide the Group with the ability to scale-up development resources flexibly in response to demand. In the longer term this operation will also enable the Group to provide sales and services locally in the region.

Product Development

Provantis®

Instem is the vendor of choice for solutions that support the identification and development of safer drugs through its market-leading Provantis software suite. This study management product continues to generate significant revenues and is the lead product, both in Instem's core North American and European markets, as well as the emerging international markets in the Asia-Pacific region.

Development of the suite continued in 2011 building towards the next major product release, Provantis 9, scheduled for the second half of 2012. An area of advancement will be the increased power and flexibility in reporting data (which will also be enhanced in the Centrus suite). The next evolution of the Protocol & Report Assembly module will maintain customers' efficiency and compliance, and can be supplemented by Instem's market-leading SEND solutions for electronic submissions and data exchange. Another area of advancement will be the extension of the capabilities of the Clinical Pathology module to work with Bioanalytical instruments.

Early demonstrations of the Clinical Pathology module to customers have been extremely positive and directly contributed to the winning of several of the new customers in 2011.

Centrus™

Development work during the year has focused on further functionality for creating, managing and using the Standard for the Exchange of Non-clinical Data (SEND), which was formally adopted by the FDA in June 2011 following several years of discussions. This is the first time that the FDA has formally defined a preferred standard. With the data that will form the basis of many future submissions already being collected, it will soon become imperative for pharmaceutical organisations and CROs to ensure this data can be submitted in the correct format. Our Centrus product is compliant with this standard and a strong pipeline of sales opportunities across the Instem customer base has been identified.

Instem Scientific™

Development work has been undertaken in 2011 to integrate BioWisdom's products with the Instem product suite.

Instem Scientific will continue to focus on translational informatics, harnessing the Group's expertise in developing solutions across pharmaceutical R&D, but with a particular focus in the early development market.

Market Developments

We believe that the dynamics of the global R&D market continue to be favourable for Instem, particularly in the US and emerging markets, the latter of which accounted for over 40% of new customer wins in 2011. We are seeing indications amongst our customer base in these regions that study volumes are beginning to slowly increase. As anticipated, Europe has been particularly impacted by cuts to R&D expenditure, with significant reduction or closure of several large pharmaceutical R&D sites, and we anticipate little improvement in that trend in 2012. Where pharmaceutical R&D has continued, technology solutions are being sought to help reduce development time, cut costs and improve operating efficiency - particularly in emerging markets where little automation of processes has taken place to date.

We expect this to continue to drive demand for our Provantis suite and, in particular, we have seen growing interest in our 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 both the Jackson and Battelle orders in the first half of 2011 and our largest ever TRP order for a US-based CRO in the fourth quarter of 2011.

Combined with this need to increase efficiencies and reduce costs is a growing tendency in the pharmaceutical industry 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 demand for high integrity data sharing solutions. We address this need through our Centrus and broader Instem Scientific suite of products.

Acquisition Strategy

Instem operates within the highly fragmented pharmaceutical software supplier base. A significant part of Instem's growth strategy is to acquire businesses within this market, consolidating the number of software suppliers to the pharmaceutical industry and enhancing our competitive positioning. This is a strategy very much supported by Instem's customer base which has indicated its preference to purchase software from a smaller number of core suppliers. Such acquisitions would consolidate the Group's market position, complement its existing products, provide access to adjacent markets and increase clients' operating efficiency.

Instem continues to pursue actively a number of acquisition opportunities.

OUTLOOK

"The Group remains highly profitable, cash generative and has a strong pipeline of opportunities for the current year."

review

Financial Review

The financial results demonstrate a solid performance in the year with total revenues steadily increasing by 7.9% to £10.8m, (2010: £10.0m) including the impact of the revenue acquired with Instem Scientific. While a record number of new customers was secured during the year, revenue from our core business was lower than in the prior year due, in large part, to a high number of these contracts being secured in the final quarter of the year. This resulted in only minimal 2011 revenue recognition for implementation services and annual support and maintenance contracts for these late orders, with the remainder of the implementation services to be recognised in 2012.

The business continued to expand in developing markets with revenue from outside North America and Europe increasing to £0.9m (2010: £0.6m), being 9% of Group revenue (2010: 6%) with notable wins in Japan, Singapore and China.

Instem's business model consists of fees for perpetual licences, annual support, SaaS subscriptions and professional services. In 2011 approximately 70% of revenue was of a recurring nature (2010: 67%), 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 $1.6014/£1.00 compared with an average exchange rate in 2010 of $1.5474/£1.00.

The profit from operations before amortisation, share based payment and non-recurring costs for the year was £2.0m (2010: £2.3m).

In March 2011 Instem completed its first acquisition since IPO, acquiring BioWisdom Limited (now Instem Scientific Limited) for an initial consideration of £0.2m in cash, with a further £0.5m of unsecured debt assumed, and a further £0.2m of working capital funding. A further contingent consideration of up to £0.6m will be payable in equal proportions of cash and shares dependent on achieving turnover targets in the two calendar years 2011 and 2012. As announced on 8 March 2012, post the end of the 2011 financial year, we issued 50,371 ordinary shares and paid contingent cash consideration of £0.084m in respect of the performance of Instem Scientific in 2011.

Cash generated from operations increased to £1.3m (2010: £0.7m). The Group had cash reserves of £3.4m as at 31 December 2011, compared with £3.3m as at 31 December 2010.

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.

Outlook

We saw signs, particularly towards the end of the year, that the Contract Research Organisation sector of our market is starting to recover from a difficult few years and we expect this to continue slowly in 2012. Two of the contracts which were delayed for the second half of 2011 have now been signed in the first quarter of 2012 and there is a strong pipeline of opportunities for the remainder of the year. The Group remains highly profitable and cash generative, and the new contracts secured in the final quarter provide a substantial level of contracted revenue expected to be recognised in 2012. Therefore, while the Board remains conscious of market conditions, these factors, combined with a full year's contribution from Instem Scientific and our high level of renewals, underpin our confidence in the year ahead.

Phil Reason
Chief Executive

board

David Gare

aged 68 – Non-executive Chairman

David was a founder member of the Company's former parent, Instem Limited and led the resulting businesses through most of their history. David successfully achieved a succession of strategic developments for Instem Limited, including its sale to Kratos Inc. in 1976, its MBO in 1983, its flotation on the USM in 1984, its flotation on the Official List in 1996, its public to private and demerger in 1998 and the buyout of Instem LSS Limited from Alchemy Partners in 2002. Throughout David has concentrated on value creation through achievement of a strong market position.

Phil Reason

aged 50 – Chief Executive Officer

Phil is an experienced chief executive who has developed a number of IT businesses in the life sciences and nuclear industries, both organically and through acquisition. Phil joined the former parent Company, Instem Limited, in 1982 and was appointed Managing Director of the Life Sciences division in 1995 and Chief Executive Officer of Instem LSS Limited on the demerger from Instem Limited. Given the importance of the North American market to Instem's organic and acquisitive growth, Phil relocated from the UK to the US in 2003 and established a new headquarters in the Philadelphia area. Phil previously ran Instem Limited's Nuclear and Laboratory Information Management Systems integration businesses.

Nigel Goldsmith

aged 50 – Chief Financial Officer

Nigel, who joined Instem in November 2011, has a wealth of experience in senior financial roles, at both public and private companies within the pharmaceutical industry. After qualifying as a Chartered Accountant, Nigel spent over nine years at KPMG prior to moving into industry. Nigel was Finance Director for three years at AIM listed, pharmaceutical and medical devices company, IS Pharma plc. He also spent a seven-year tenure as CFO at Almedica International Inc, a privately held supplier of clinical trial materials to the pharmaceutical and biotech industry in Europe and the US and two years as European Controller for the sales and marketing division of laboratory equipment manufacturer, Life Sciences International plc.

Mike McGoun

aged 64 – Non-executive Director

Mike has a wealth of management experience within the IT industry. He spent 10 years at IBM prior to co-founding a successful ComputerLand franchise in 1984. In 1994 Mike moved to SkillsGroup plc as a main board director, with responsibility for corporate development and later as a non-executive director. Mike is the founder of and was appointed non-executive Chairman of Tikit Group plc in 2001. Mike has been Chairman of Peakdale Molecular plc, a chemistry research organisation, since 2002.

David Sherwin

aged 55 – Non-executive Director

David is a qualified Management Accountant and holds an MBA from Staffordshire University. He joined Instem Limited as a trainee accountant in 1973 and was appointed Chief Financial Officer in 1979. He has worked closely with David Gare on all of the subsequent transactions involving Instem Limited and Instem LSS Limited including participating in the management buyout of Instem Limited in 1983, the flotation on the USM in 1984, the flotation on the Official List in 1996 and the demerger of the business in 1998.

reports

DIRECTORS' REPORT

The directors submit their report and the Group and Company financial statements of Instem plc (formerly Instem Life Science Systems plc) for the year ended 31 December 2011.

Instem plc is a public listed company, incorporated and domiciled in England, and quoted on the Alternative Investment Market (AIM).

Principal Activities

The principal activity of the Group is the provision of world-class information solutions for Life Sciences research and development. The principal activity of the Company is that of a holding company.

Review of the Business

On 13 January 2012 the company changed its name from Instem Life Science Systems plc to Instem plc.

Future Developments

The directors consider that the continued investment in product and market development will allow the business to grow organically in its core markets. Investment in business growth initiatives will also allow the business to move into new product and market areas. The combination of organic growth along with strategic acquisitions will support the expected growth as outlined in the Chairman's statement and the Operational Review.

Risks and Uncertainties

The directors consider that the global pharmaceutical market is likely to continue to provide growth opportunities for the business. The combination of the high level of annual support renewals and low levels of customer attrition provides revenue visibility to underpin the company strategy on product and market development.

The Group seeks to mitigate exposure to all forms of risk through a combination of regular performance review and a comprehensive insurance programme.

The global nature of the market means that the Group is exposed to currency risk as a consequence of the significant proportion of its revenue being recognised in US Dollars. The Group continually assesses the most appropriate approach to managing its currency exposure in line with the overall goal of achieving predictable earnings growth.

Research and Development Activities

The Group continues its development programme of software for the global pharmaceutical market including the research and development of new products and enhancement to existing products. The directors consider the investment in research and development to be fundamental to the success of the business in the future.

In 2011 development expenditure was £1.86m (2010: £1.65m) before capitalised expenditure of £0.26m (2010: £0.36m).

Dividends

The directors do not recommend the payment of a dividend.

Directors

The following directors held office during the year:

D Gare
M F McGoun
D M Sherwin
P J Reason
N J Goldsmith (appointed 29 November 2011)
J McLauchlan (deceased 8 August 2011)

Details of the directors' service contracts and their respective notice terms are detailed in the Remuneration Committee report on page 20.

Directors and Their Interests

The interests of the directors who held office at 31 December 2011 and up to the date of this report were as follows:

	No. of Shares	
	2011	2010
David Gare	2,278,427	2,278,427
David Sherwin	1,580,066	1,580,066
Phil Reason	665,287	665,287
Mike McGoun	14,286	14,286

Directors' interests in share options are detailed in the Remuneration Committee report on page 20/21.

Employee Involvement

The general policy of the Group is to welcome employee involvement as far as it is reasonably practicable. Employees are kept informed of progress by regular company meetings and monthly management reports.

Policy on Payment of Suppliers

It is the Group's policy to make payments to suppliers in accordance with the agreed terms and conditions of supply, provided that the supplier has performed in accordance with the terms of supply. Trade payables at 31 December 2011 represented 61 days of purchases (2010: 36 days).

Financial Instruments

The Group's objectives and policies on financial instruments are set out in note 19 to the financial statements.

Indemnity of Officers and Directors

Under the Company's Articles of Association and subject to the provisions of the Companies Act, the Company may and has indemnified all directors and other officers against liability incurred in the execution or discharge of their duties or the exercise of their powers, including but not limited to any liability for the costs of any legal proceedings. The Company has purchased and maintains appropriate insurance cover against legal action brought against directors or officers.

Annual General Meeting

The Annual General Meeting of the Company will be held on 22 May 2012 at the offices of Baker Tilly, Manchester. The resolutions to be proposed at the Annual General Meeting, together with explanatory notes appear in a separate notice of Annual General Meeting which is sent to all shareholders. The proxy card for registered shareholders is distributed along with the notice.

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Pursuant to s487 of the Companies Act 2006, a resolution to appoint Baker Tilly UK Audit LLP as auditors will be put to the members at the forthcoming AGM.

On behalf of the Board

Nigel Goldsmith
Director

Diamond Way
Stone Business Park
Stone
Staffordshire
ST15 0SD

26 April 2012

CORPORATE GOVERNANCE REPORT

The Board fully supports the underlying principles of corporate governance contained in the UK Corporate Governance Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Corporate Governance Code, insofar as is practicable and appropriate for a public Company of its size and nature and taking account of the QCA guidelines for smaller quoted companies. The Board recognises its overall responsibility for the Group's systems of internal control and for monitoring their effectiveness.

The main features of the Group's corporate governance procedures, which do not constitute full compliance with the UK Corporate Governance Code, are as follows:

a. the Board has one independent non-executive director who takes an active role in Board matters;
b. the Group has an Audit Committee, a Remuneration Committee and a Nomination Committee, each of which consists of the non-executive directors, and meets regularly with executive directors in attendance by invitation. The Audit Committee has unrestricted access to the Group's auditors and ensures that auditor independence has not been compromised;
c. all business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the Board"; and
d. regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

Attendance at Board and Committee Meetings

Attendances of directors at Board and Committee meetings convened in the period, along with the number of meetings they were invited to attend, are set out below:

Audit Committee

The Audit Committee comprises MF McGoun (Chairman), D Gare and DM Sherwin, all of whom are non-executive directors of the Company. The Board is satisfied that the Audit Committee has all the recent and relevant financial experience required to fulfil the role.

Appointments to the Audit Committee are made by the Board in consultation with the Nomination Committee and the chairman of the Audit Committee. The Audit Committee meets at least twice a year and any other time as required by either the chairman of the Audit Committee, the Chief Financial Officer of the Group or the external auditors of the Group. In addition, the Audit Committee shall meet with the external auditors of the Group (without any of the executives attending) at any time during the year as it deems fit.

The Audit Committee:

a. monitors the financial reporting and internal financial control principles of the Group;
b. maintains appropriate relationships with external auditors including considering the appointment and remuneration of external auditors and reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process;
c. reviews all financial results of the Group and financial statements, including all announcements in respect thereof before submission of the relevant documents to the Board;
d. reviews and discusses (where necessary) any issues and recommendations of the external auditors including reviewing the external auditors' management letter and management's response;
e. considers all major findings of internal operational audit reviews and management's response to ensure co-ordination between internal and external auditors;
f. reviews the Board's statement on internal reporting systems and keeps the effectiveness of such systems under review; and
g. considers all other relevant findings and audit programmes of the Group.

No of meetings in the period/ No invited to attend	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Executive directors				
P.J. Reason	6/6	2/2	2/2	1/1
N.J. Goldsmith	1/1	1/1	-	-
J. McLauchlan	4/4	1/1	-	-
Non Executive directors				
D. Gare	6/6	2/2	2/2	1/1
D.M. Sherwin	6/6	2/2	2/2	1/1
M.F. McGoun	6/6	2/2	2/2	1/1

Audit Committee (continued)

The Audit Committee is authorised to:

a. investigate any activity within its terms of reference;
b. seek any information it requires from any employee of the Company; and
c. obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

Remuneration Committee

The Remuneration Committee comprises MF McGoun (Chairman), D Gare and DM Sherwin, all of whom are non-executive directors of the Company.

The members of the Remuneration Committee are appointed by the Board on recommendation from the Nomination Committee. The Chief Executive Officer of the Group is normally invited to meetings of the Remuneration Committee to discuss the performance of other executive directors but is not involved in any of the decisions. The Remuneration Committee invites any person it thinks appropriate to join the members of the Remuneration Committee at its meetings. The Remuneration Committee meets at least once a year and any other time as required by either the chairman of the Remuneration Committee or the Chief Financial Officer of the Group.

The Remuneration Committee:

a. ensures that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Group but also ensures that the Group avoids paying more than is necessary for this purpose;
b. considers the remuneration packages of the executive directors and any recommendations made by the Chief Executive Officer for changes to their remuneration packages including in respect of bonuses (including associated performance criteria), other benefits, pension arrangements and other terms of their service contracts and any other matters relating to the remuneration of or terms of employment applicable to the executive directors that may be referred to the Remuneration Committee by the Board;
c. oversees and reviews all aspects of the Group's share option schemes including the selection of eligible directors and other employees and the terms of any options granted;
d. demonstrates to the Group's shareholders that the remuneration of the executive directors is set by an independent committee of the Board; and
e. considers and makes recommendations to the Board about the public disclosure of information about the executive directors' remuneration packages and structures in addition to those required by law or by the London Stock Exchange.

The chairman of the Remuneration Committee reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Remuneration Committee produces an annual report which is included in the Company's annual report and accounts.

The Remuneration Committee is authorised to:

a. investigate any activity within its terms of reference;
b. seek any information it requires from any employee of the Group;
c. assess the remuneration paid by other UK listed companies of a similar size in any comparable industry sector and to assess whether changes to the executive directors' remuneration is appropriate for the purpose of making their remuneration competitive or otherwise comparable with the remuneration paid by such companies; and
d. obtain, at the Group's expense, outside legal or other independent professional advice, including independent remuneration consultants, when the Remuneration Committee reasonably believes it is necessary to do so and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

Nomination Committee

The Nomination Committee comprises D Gare (Chairman), MF McGoun and DM Sherwin, all of whom are non-executive directors of the Company.

Appointments to the Nomination Committee are made by the Board, in consultation with the chairman of the Nomination Committee.

The Nomination Committee may invite any person it thinks appropriate to join the members of the Nomination Committee at its meetings. The Nomination Committee meets at least once per year.

Nomination Committee (continued)

The Nomination Committee:

a. regularly reviews the structure, size and composition (including skills knowledge and experience) required of the Board compared to its current position and makes recommendations to the Board with regard to any changes;
b. gives full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Group, and what skills and expertise are needed on the Board in the future;
c. is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
d. evaluates the balance of skills, knowledge and experience on the Board before an appointment is made and, in light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

The chairman of the Nomination Committee reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Nomination Committee also makes recommendations to the Board concerning:

a. formulating plans for succession for both executive and non-executive directors and in particular the key roles of Chairman of the Board and Chief Executive Officer;
b. membership of the Audit and Remuneration Committees, in consultation with the chairmen of those committees;
c. the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
d. the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills, and experience required;
e. matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Group subject to the provisions of the law and his/her service contract; and
f. the appointment of any director to executive or other office other than to the positions of Chairman of the Board and Chief Executive Officer, the recommendation for which would be considered at a meeting of the full Board.

The Nomination Committee is authorised to:

a. investigate any activity within its terms of reference;
b. seek any information it requires from any employee;
c. obtain outside legal or other independent professional advice at the Company's expense when the Nomination Committee reasonably believes it is necessary to do so; and
d. instruct external professional advisers to attend any meeting at the Company's expense if the Nomination Committee considers this reasonably necessary or appropriate.

Internal Controls

The directors are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board and senior executives meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an ongoing basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage.

Going Concern

The directors have prepared and reviewed financial forecasts. After due consideration of these forecasts and current cash resources, the directors consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least twelve months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

On behalf of the Board

Nigel Goldsmith
Company Secretary

26 April 2012

DIRECTORS' REMUNERATION REPORT

Instem plc is not required to comply with Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to directors' remuneration reports or the Listing Rules, as a company on AIM. The disclosures contained within this report are, therefore, made on a voluntary basis and in keeping with the Board's commitment to best practice.

Remuneration Committee

The Remuneration Committee ('the Committee') is composed entirely of non-executive directors. The Committee was formed upon the public listing of the Company on 13 October 2010. The Chairman of the Committee is MF McGoun. The terms of reference for the Committee are to determine the Group's policy on executive remuneration and to consider and approve the remuneration packages for directors and key executives of the Group, subject to ratification by the Board. During the year, the Committee met twice. Full details of the elements of each director's remuneration are set out on page 21. Details of share-based payments to directors are shown in note 6 to the financial statements.

Policy on Executive Director Remuneration

The Group's current and ongoing policy aims to ensure that executive directors are rewarded fairly for their individual contributions to the Group's overall performance and is designed to attract, retain and motivate executives of the right calibre. The Committee is responsible for recommendations on all elements of executive remuneration including, in particular, basic salary, annual bonus, share options and any other incentive awards. In implementing the remuneration policy, the Committee has regard to factors specific to the Group, such as salary and other benefit arrangements within the Group and the achievement of the Group's strategic objectives. The Committee determines the Group's Policy on executive remuneration with reference to comparable companies of similar market capitalisation, location and business sector.

Basic Salary

The basic salaries of executive directors are reviewed annually having regard to individual performance and position within the Group and are intended to be competitive but fair using information provided from both internal and external sources.

Performance Related Annual Bonus

Executive directors are eligible for a performance related bonus based on Group performance, in particular, the achievement of profit and cash targets. The performance related annual bonus forms a significant part of the level of remuneration considered appropriate by the Committee. In addition to the formal bonus scheme, the Committee has the discretion to recommend the payment of ad hoc awards to reflect exceptional performance.

Pensions

Contributions are made to the executive directors' personal pension schemes up to a maximum of 16.5% of basic salary.

Benefits

Benefits comprise private healthcare and critical illness cover. No director receives additional remuneration or benefits in relation to being a director of the Board of the Company or any subsidiary of the Company.

Service Contracts

The Executive directors have contracts of up to 12 months duration with a maximum notice period of 12 months.

The Board determines the Company's Policy on non-executive directors' remuneration.

D Gare, DM Sherwin and MF McGoun each have a 3 year contract starting October 2010 with a notice period of 3 months during or after expiry of the fixed term.

The actual emoluments paid to directors in the year ended December 31st 2011 are as follows:

	Salary (inc bonus)	Benefits	Pension	2011 Total	2010 Total
Executives	£000	£000	£000	£000	£000
P.J. Reason	148	4	23	175	186
N.J. Goldsmith	18	-	-	18	-
J. McLauchlan	45	6	7	58	99
Non-executives					
D. Gare	44	-	-	44	245
D.M. Sherwin	49	-	-	49	130
M.F. McGoun	24	-	-	24	5
Total	328	10	30	368	665

Directors' and Employees' Share Options

	Exercise price(£)	Issue date	Held at 31/12/2010	Granted During Year	Exercised during Year	Lapsed during Year	Held at 31/12/2011
Phil Reason Ordinary shares	1.750	13/10/2010	187,428	-	-	-	187,428
N.J. Goldsmith Ordinary shares	2.215	29/11/2011	-	60,000	-	-	60,000
J. McLauchlan & Estate Ordinary shares	1.750	13/10/2010	93,714	-	-	(31,238)	62,476
Employees Ordinary shares	1.750	13/10/2010	304,569	-	-	-	304,569
Ordinary shares	2.220	17/10/2011	-	123,351	-	-	123,351
Total			585,711	183,351	-	(31,238)	737,824

Further detail of the terms of the option agreements is given in note 6.

Approved by the Board and signed on its behalf by:

Mike McGoun
Independent Non-Executive Chairman

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under Company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Instem plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSTEM PLC (FORMERLY INSTEM LIFE SCIENCE SYSTEMS PLC)

We have audited the Group and parent Company financial statements ("the financial statements") on pages 24 to 64. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Geoff Wightwick FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP,
Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

26 April 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**Year ended 31 December 2011 £000**	Year ended 31 December 2010 £000
REVENUE	1	**10,793**	10,001
Operating expenses	2	**(8,791)**	(7,747)
PROFIT FROM OPERATIONS BEFORE AMORTISATION, SHARE BASED PAYMENT AND NON-RECURRING COSTS		**2,002**	2,254
Amortisation of intangibles		**(347)**	(34)
Share based payment		**(88)**	(21)
PROFIT BEFORE NON-RECURRING COSTS		**1,567**	2,199
Non-recurring costs	2	**(21)**	(388)
PROFIT FROM OPERATIONS		**1,546**	1,811
Non-recurring flotation costs	2	**-**	(295)
Finance income	3	**422**	263
Finance costs	4	**(456)**	(364)
PROFIT BEFORE TAXATION		**1,512**	1,415
Income tax expense	8	**(506)**	(514)
PROFIT FOR THE YEAR		**1,006**	901
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Actuarial loss on retirement benefit obligations	22	**(392)**	(576)
Deferred tax on actuarial loss		**68**	147
Exchange differences on translating foreign operations		**96**	18
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR		**(228)**	(411)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**778**	490
Profit attributable to Equity Holders of the Parent Company		**1,006**	901
Total comprehensive income attributable to Equity Holders of the Parent Company		**778**	490
Earnings per share from continuing operations Basic	24	**8.6p**	11.7p
Diluted	24	**8.5p**	11.7p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

	Note	**31 December 2011**		31 December 2010	
ASSETS		**£000**	**£000**	£000	£000
NON-CURRENT ASSETS					
Intangible assets	9	**8,103**		6,417	
Property, plant and equipment	12	**188**		166	
Deferred tax assets	21	**279**		321	
TOTAL NON-CURRENT ASSETS			**8,570**		6,904
CURRENT ASSETS					
Inventories	13	**93**		137	
Trade and other receivables	14	**3,029**		1,595	
Current tax assets	17	**64**		-	
Cash and cash equivalents	15	**3,368**		3,263	
TOTAL CURRENT ASSETS			**6,554**		4,995
TOTAL ASSETS			**15,124**		11,899
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	**7,594**		5,536	
Current tax liabilities	17	**-**		85	
Financial liabilities	18	**250**		253	
TOTAL CURRENT LIABILITIES			**7,844**		5,874
NON-CURRENT LIABILITIES					
Financial liabilities	18	**250**		-	
Retirement benefit obligations	22	**1,616**		1,477	
TOTAL NON-CURRENT LIABILITIES			**1,866**		1,477
TOTAL LIABILITIES			**9,710**		7,351
EQUITY					
Share capital	23	**1,171**		1,171	
Share premium	25	**7,813**		7,813	
Merger reserve	25	**(932)**		(932)	
Shares to be issued	25	**88**		-	
Translation reserve	25	**473**		377	
Retained earnings	25	**(3,199)**		(3,881)	
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			**5,414**		4,548
TOTAL EQUITY AND LIABILITIES			**15,124**		11,899

The financial statements on pages 24 to 64 were approved by the board of directors and authorised for issue on 26 April 2012 and are signed on its behalf by:

Phil Reason
Director

Nigel Goldsmith
Director

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

	Note	31 December 2011		31 December 2010	
ASSETS		**£000**	**£000**	£000	£000
NON-CURRENT ASSETS					
Investments	10	**17,109**		16,500	
TOTAL NON-CURRENT ASSETS			**17,109**		16,500
CURRENT ASSETS					
Trade and other receivables	14	**753**		64	
Cash and cash equivalents	15	**2,102**		3,100	
TOTAL CURRENT ASSETS			**2,855**		3,164
TOTAL ASSETS			**19,964**		19,664
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	**573**		66	
Financial liabilities	18	**250**		253	
TOTAL CURRENT LIABILITIES			**823**		319
NON CURRENT LIABILITIES					
Financial liabilities	18	**250**		-	
TOTAL NON CURRENT LIABILITIES			**250**		-
EQUITY					
Share capital	23	**1,171**		1,171	
Share premium	25	**7,813**		7,813	
Merger reserve	25	**10,702**		10,702	
Shares to be issued	25	**88**		-	
Retained earnings	25	**(883)**		(341)	
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			**18,891**		19,345
TOTAL EQUITY AND LIABILITIES			**19,964**		19,664

The financial statements on pages 24 to 64 were approved by the board of directors and authorised for issue on 26 April 2012 and are signed on its behalf by:

Phil Reason
Director

Nigel Goldsmith
Director

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011		Year ended 31 December 2010	
		£000	£000	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES					
Result before taxation		1,512		1,415	
Adjustments for:					
Depreciation		116		75	
Amortisation of intangibles		347		34	
Profit on disposal of property, plant and equipment		(14)		-	
Adjustment to consideration		(80)		-	
Share based payments and shares to be issued		88		21	
Retirement benefit obligations		(245)		(206)	
Net foreign exchange gains		(88)		-	
Finance income		(422)		(263)	
Finance costs		456		364	
CASH FLOWS FROM OPERATIONS BEFORE MOVEMENTS IN WORKING CAPITAL			1,846		1,440
Movements in working capital:					
Decrease/(Increase) in inventories			47		(75)
(Increase)/decrease in trade and other receivables			(1,230)		266
Increase/(decrease) in trade and other payables			679		(915)
CASH GENERATED FROM OPERATIONS			1,342		716
Finance costs			(362)		(296)
Income tax paid			(478)		(510)
NET CASH GENERATED FROM OPERATING ACTIVITIES			502		(90)
CASH FLOWS FROM INVESTING ACTIVITIES					
Finance income received		300		263	
Income tax paid		-		(95)	
Purchase of intangible assets		(291)		(361)	
Purchase of property, plant and equipment		(152)		(111)	
Disposal of property, plant and equipment		30		-	
Acquisition of subsidiary		(200)		-	
Cash acquired with subsidiary		141		-	
NET CASH USED IN INVESTING ACTIVITIES			(172)		(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		(253)		(4,897)	
Payment of finance lease liabilities		-		(3)	
Alchemy loan note repayment		-		(2,550)	
NET CASH USED IN FINANCING ACTIVITIES			(253)		886
NET INCREASE IN CASH AND CASH EQUIVALENTS			77		492
Cash and cash equivalents at start of year			3,263		2,716
Effects of exchange rate changes on the balance of cash held in foreign currencies			28		55
CASH AND CASH EQUIVALENTS AT END OF YEAR	15		3,368		3,263

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011		Year ended 31 December 2010	
		£000	£000	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES					
Result before taxation		(542)		(341)	
Adjustments for:					
Share based payment		88		-	
Finance income		(42)		(6)	
Finance cost		48		3	
CASH FLOWS USED IN OPERATIONS BEFORE CHANGES IN WORKING CAPITAL			(448)		(344)
Movements in working capital:					
Increase in trade and other receivables			(189)		(64)
Increase in trade and other payables			98		66
CASH USED IN OPERATIONS			(539)		(342)
Finance costs			(48)		(3)
NET CASH USED IN OPERATING ACTIVITIES			(587)		(345)
CASH FLOWS FROM INVESTING ACTIVITIES					
Finance income		42		6	
Acquisition of subsidiary		(200)		-	
NET CASH USED IN INVESTING ACTIVITIES			(158)		6
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		(253)		(4,897)	
NET CASH USED IN FINANCING ACTIVITIES			(253)		3,439
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			(998)		3,100
Cash and cash equivalents at start of year			3,100		-
CASH AND CASH EQUIVALENTS AT END OF YEAR	15		2,102		3,100

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share Premium	Merger Reserve	Shares to be issued	Translation Reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 January 2010	649	-	4,218	-	359	(4,374)	852
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 year	-	-	-	-	-	901	901
Other comprehensive expense for the year	-	-	-	-	18	(429)	(411)
Share based payment	-	-	-	-	-	21	21
Balance as at 31 December 2010	1,171	7,813	(932)	-	377	(3,881)	4,548
Profit for the year	-	-	-	-	-	1,006	1,006
Other comprehensive expense for the year	-	-	-	-	96	(324)	(228)
Share based payment	-	-	-	88	-	-	88
Balance as at 31 December 2011	**1,171**	**7,813**	**(932)**	**88**	**473**	**(3,199)**	**5,414**

COMPANY STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share Premium	Merger Reserve	Shares to be issued	Translation Reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 January 2010	-	-	-	-	-	-	-
New share capital	1,171	7,813	-	-	-	-	8,984
Merger relief	-	-	10,702	-	-	-	10,702
Total comprehensive income for the year	-	-	-	-	-	(341)	(341)
Balance as at 31 December 2010	1,171	7,813	10,702	-	-	(341)	19,345
Total comprehensive income for the year	-	-	-	-	-	(542)	(542)
Share based payment	-	-	-	88	-	-	88
Balance as at 31 December 2011	**1,171**	**7,813**	**10,702**	**88**	**-**	**(883)**	**18,891**

ACCOUNTING POLICIES

General Information

The principal activity of the Group is the provision of world class information solutions for life sciences research and development. Instem plc (formerly Instem Life Science Systems 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.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the EU ("IFRS") and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of Preparation

The Group's accounting reference date is 31 December.

The acquisition of the Instem LSS Group in the prior year did not qualify as a business combination under IFRS 3 'Business Combinations' as Instem plc did not meet the definition of a business within that standard. As a consequence the transaction was treated as a pooling of interests to reflect the substance of the transaction which was that of the continuation of the existing Instem LSS Group.

Under the pooling of interests basis the legal shares and share premium of Instem plc are shown as if they had existed throughout the periods shown. The comparative trading results and retained earnings, together with the full year trade to 31 December 2011, are those of the Instem LSS Group as if that trade had continued throughout. The difference between the consideration given on the acquisition and the share capital and share premium of the Instem LSS Group at that date has been recognised in the merger reserve, together with the merger relief taken by the Company. The loan notes issued in exchange for the shares in Instem Life Science Systems Limited (formerly Instem LSS Group Limited) have been treated as a distribution. The liability for those loan notes has been recognised in the prior period when the company was contractually obligated to pay it and the cost of the distribution has been recognised directly in equity.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

In accordance with Section 408 of the Companies Act 2006 the company has elected not to present its own income statement. The loss for the year of the parent company is £542,000 (2010: £341,000).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these consolidated financial statements.

Basis of Consolidation

The consolidated financial statements incorporate those of the parent Company, Instem plc (formerly Instem Life Science Systems plc), and its subsidiary undertakings made up to 31 December 2011 and 31 December 2010.

In preparing the consolidated financial statements, any intra-group balances, unrealised gains and losses or income and expenses arising from intra-group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary Company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group up until the date that control ceases.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 'Income taxes'.

Contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

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. A Group working capital facility has been put in place to support the working capital needs in 2012.

The financial position of the Group, its cash flows and liquidity position are set out in the primary statements of these financial statements. 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 of the Group. Accordingly the directors continue to adopt the going concern basis for the preparation of the financial statements.

ACCOUNTING POLICIES

Revenue Recognition

The Group follows the principles of IAS 18 'Revenue Recognition', in determining appropriate revenue recognition principles. In principle revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenue comprises the value of software licence sales, installation, training, maintenance and support services. Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price is fixed and determinable and (iv) collectability is reasonably assured.

For software arrangements with multiple elements revenue is recognised dependent on whether vendor-specific objective evidence ('VSOE') of fair value exists for each of the elements. VSOE is determined by reference to sales made to customers on a stand-alone basis. Where there is no VSOE revenue is recognised over the full term of each contract.

Revenue from licence based products is recognised when the risks and rewards of ownership of the product are transferred to the customer.

Revenue from software maintenance and other time based contracts are recognised over the invoiced contract period.

Revenue from installation and training is recognised on a percentage completion basis on fixed price contracts or as services are provided in respect of time and materials contracts.

The excess of amounts invoiced over revenue is included in accruals and deferred income. If the amount of revenue recognised exceeds the amounts invoiced the excess amount is included within prepayments and accrued income.

Profit From Operations Before Amortisation

Profit from operations before amortisation is profit arising from the Group's normal trading activities stated before amortisation of intangible assets and non-recurring items, interest and taxation.

Profit From Operations

Profit from operations is profit from the Group's ordinary activities stated before costs of admission to AIM, finance costs and income, and income taxes.

Segmental Reporting

IFRS 8 'Operating Segments' provides segmental information for the Group on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that the role of chief operating decision-maker is performed by the Group's Board of Directors.

Since the Group is primarily providing goods and services to the global life sciences market there is only one operating segment which is monitored by the business.

Foreign Currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the reporting date. The revenue and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations are taken directly to the translation reserve. They are released into profit or loss upon disposal of the foreign operation.

The presentational currency adopted by the Group is Sterling (£). The functional currencies of the principal companies in the Group are as follows:

Instem Life Science Systems Limited	Sterling (£)
Instem LSS Limited	Sterling (£)
Instem LSS (North America) Limited	US Dollars ($)
Instem LSS Asia Limited	Hong Kong Dollars (HK$)
Instem Information Systems (Shanghai) Limited	Chinese Yuan (¥)
Instem Scientific Limited	Sterling (£)
Instem Scientific Solutions Limited	Sterling (£)
Instem Scientific Inc	US Dollars ($)

The exchange rates used to translate the financial statements into Sterling (£) are as follows:

	US Dollar ($)	Hong Kong Dollar (HK$)	Chinese Yuan (¥)
Average rate for year ended 31 December 2009	1.5647	-	-
Closing rate at 31 December 2009	1.6147	-	-
Average rate for year ended 31 December 2010	1.5474	11.9528	10.4560
Closing rate at 31 December 2010	1.5657	12.2665	10.3172
Average rate for year ended 31 December 2011	1.6014	12.4623	10.3447
Closing rate at 31 December 2011	1.5541	12.0701	9.7815

ACCOUNTING POLICIES

Finance Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Finance income includes exchange gains on the translation of intra-group funding balances.

Finance Costs

Finance costs comprise interest payable, exchange losses on the translation of intra-group funding balances and interest on pension scheme liabilities, less expected return on Pension assets. Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Leasing

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the fair value or, if lower, the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as finance lease obligations to the lessor.

Lease payments are apportioned between finance charges and reduction of lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to finance costs in profit or loss.

All other leases are "operating leases" and the annual rentals are charged to the statement of comprehensive income on a straight line basis over the lease term.

Share-Based Payment Transactions

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2007.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair values are measured by use of the Black-Scholes model and for options with a performance condition, Binomial or Monte Carlo models are used. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled or settled. Where the terms of the options are modified and the modification increases the fair value or number of equity instruments granted, measured immediately before and after the modification, the incremental fair value is spread over the remaining vesting period.

Options over the Company's shares granted to employees of subsidiaries are recognised as a capital contribution by the Company to the subsidiaries.

Taxation

Taxation expense includes the amount of current income tax payable and the charge for the year in respect of deferred taxation.

The income tax payable is based on an estimation of the amount due on the taxable profit for the year. Taxable profit is different from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expenditure which are not taxable or deductible in the year as a result of either the nature of the item or the fact that it is taxable or deductible in another year. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is accounted for on the basis of temporary differences arising from the differences between the tax base and accounting base of assets and liabilities.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is recognised for all taxable temporary differences, except to the extent where it arises from the initial recognition of an asset or liability in a transaction that is not a business combination. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case it is dealt with within equity. It is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Intangible Assets

Intangible assets purchased separately from a business are capitalised at their cost.

The Group makes an assessment of the fair value of intangible assets arising on acquisitions. These include Intellectual Property, Customer Relationships and Patents. An intangible asset will be recognised as long as the asset is identifiable and its fair value can be measured reliably. An intangible asset is identifiable if it is separable or if it was obtained through

Intangible Assets (continued)

contractual or legal rights. Amortisation is provided on the fair value of the asset and is calculated on a straight line basis over its useful life. The useful life for Intellectual Property, Customer Relationships and Patents is five years. Amortisation is recognised within operating expenses. All intangible assets except Goodwill are amortised.

Goodwill
Goodwill on acquisitions, being the excess of the fair value of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities acquired, is capitalised and tested for impairment on an annual basis.

Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing goodwill is allocated to cash generating units, which represent the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Computer Software
Computer software is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised and amortised on a straight line basis over their useful economic lives of 3 years. Costs relating to development of computer software for internal use are capitalised once the recognition criteria of IAS 38 "Intangible Assets" are met. When the software is available for its use, these costs are amortised over the estimated useful life of the software.

Other intangible assets
Internally generated intangible assets
Expenditure on research activities is recognised in profit or loss as incurred.

Expenditure arising from the Group's development of software for sale to third parties is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the Group has the intention to complete the asset and the ability and intention to use or sell it;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, development expenditure is recognised in profit or loss in the period in which it is incurred.

Internally-generated intangible assets are amortised, once the product is available for use, on a straight-line basis over their useful lives (five to eight years).

Property, Plant & Equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and provision for impairments.

Depreciation is provided on all assets so as to write off the cost less estimated residual value on the following basis:

Short leasehold property	-	Over term of lease
Plant and equipment	-	12½% - 25% per annum
Motor vehicles	-	25% per annum

Depreciation is recognised within operating expenses.

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of Assets Excluding Goodwill

At each reporting date the Group reviews the carrying value of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where the asset does not generate cash flows that are independent from other assets the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. A cash generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for

Impairment of Assets Excluding Goodwill (continued)

the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventory

Inventory is stated at the lower of cost and net realisable value. Inventory includes billable employee expenses and hosting costs. These are stated at the lower of amortised cost and net realisable value.

Provision is made where necessary for non-chargeable items.

Financial Instruments

Classification of financial instruments
Financial instruments are classified as financial assets, financial liabilities or equity instruments.

Recognition and valuation of financial assets
Financial assets are initially recorded at their fair value net of transaction costs. At each reporting date, the Group reviews the carrying value of its financial assets to determine whether there is objective evidence of an indication of impairment. If any such indication exists the recoverable amount is estimated and any identified impairment loss is recognised in the statement of comprehensive income.

Investments
Investments in subsidiaries, associates and joint ventures are recorded at cost in the Statement of Financial Position. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and cash deposits which are readily convertible to a known amount of cash. For the purposes of the cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand as these form an integral part of Group cash management.

Trade receivables
Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an impairment provision account and any impairment loss is recognised in the statement of comprehensive income.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings and loan notes
Interest-bearing loan notes and bank overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges are recognised in the statement of comprehensive income over the term of the instrument using an effective rate of interest. Finance charges are accounted for on an accruals basis to the statement of comprehensive income. Overdrafts are offset against cash and cash equivalents when the Company has a legal right of off-set.

Trade payables
Trade payables are not interest bearing and are initially recognised at fair value and subsequently at amortised cost.

Ordinary share capital
For ordinary share capital, the par value is recognised in share capital and the premium in the share premium reserve.

Derivative financial instruments
The Group's activities expose it primarily to foreign currency risk. The Group uses forward contracts to hedge this exposure. The Group does not use derivative financial instruments for speculative purposes.

The Group does not adopt the hedge accounting provisions and as such, these derivatives are classified as financial instruments held for trading in accordance with IAS 39. They are initially and subsequently measured at fair value with gains and losses recognised in the statement of comprehensive income.

Retirement Benefits

Defined contribution schemes
A defined contribution scheme is a pension plan under which the Group pays a fixed contribution to a scheme with an external provider. The amount charged to the statement of comprehensive income in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either other payables or other receivables in the statement of financial position. The Group has no further payment obligations once the contributions have been paid.

Defined benefit schemes
A defined benefit scheme is a pension plan under which the Group pays contributions in order to fund a defined amount of pension that the employees under the scheme will receive on retirement. The cost of providing the benefits is determined using the projected unit credit method with actuarial valuations being carried out regularly.

An asset or liability is recognised equal to the present value of the defined benefit obligation, adjusted for unrecognised past service costs and reduced by the fair value of plan assets.

Actuarial gains and losses are recognised in the statement of other comprehensive income in the year in which they occur, whilst expected returns on plan assets, servicing costs and financing costs are recognised in profit and loss.

Retirement Benefits (continued)

The rate used to discount the benefit obligations is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

The time value of money is not expected to be material and therefore future outflows have not been discounted.

Adoption of IFRS

The Group and Company financial statements have been prepared in accordance with IFRS, IASs and International Financial Reporting Interpretations Committee (IFRICs) effective as at the 31 December 2011. The Group and Company have not chosen to adopt any amendments or revised standards early.

The Group did not apply IFRS 1 First-time Adoption of IFRS in the prior year as it was in substance a continuation of the group headed by Instem Life Science Systems Limited (formerly Instem LSS Group Limited). Instem Life Science Systems Limited's financial statements for the period ended 31 December 2009 were converted from UK GAAP to EU-adopted IFRS for the purposes of the Company's admission to AIM in October 2010 along with its comparatives for 2008 and 2007. The Group considers its first financial statements prepared under IFRS to be those for the period ended 31 December 2009. The date of transition is considered to be the beginning of the earliest period presented i.e. 1 January 2007.

IFRSs Issued but not yet Effective

The following IFRSs, IASs and IFRICs have been issued, are not yet effective, and have not been adopted by the Group or the Company in these financial statements. The directors do not believe the adoption will have a material impact on the business.

- IFRS 1 'First-time Adoption of IFRS –Amendment; Severe Hyper Inflation and Removal of Fixed Dates for first time adopters' effective for periods commencing on or after 1 July 2011 (not yet EU endorsed).
- IFRS 7 'Financial Instruments: Disclosures – Amendment; Transfer of Financial Assets' effective for periods commencing on or after 1 July 2011 (not yet EU endorsed).
- IAS 12 'Income Taxes – Amendment; Deferred Tax Recovery of Underlying Assets' effective for periods commencing on or after 1 January 2012 (not yet EU endorsed).
- IAS 1 'Presentation of Other Comprehensive Income' – Amendments effective for periods commencing on or after 1 July 2012 (not yet EU endorsed).
- IFRS 7 'Financial Instruments – Disclosure – Amendment: Offsetting Financial Assets and Financial Liabilities' was issued in December 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IFRS 9 'Financial Instruments' was issued on 12 November 2009 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IFRS 10 'Consolidated Financial Statements' was issued in May 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IFRS 11 'Joint Arrangements' was issued in May 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IFRS 12 'Disclosure of Interests in Other Entities' was issued in May 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IAS 27 'Separate Financial Statements' - Amendment was issued in May 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IAS 28 'Interests in Associates and Joint Ventures' - Amendment was issued in May 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IFRS 13 'Fair Value Measurement' was issued in May 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IAS 19 'Employee Benefits' – Amendment was issued in June 2011 and is effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IFRIC 20 'Stripping costs in the Production Phase of a Surface Mine' effective for periods commencing on or after 1 January 2013 (not yet EU endorsed).
- IAS 32 'Financial Instruments – Presentation – Amendment: Offsetting Financial Assets and Financial Liabilities' was issued in December 2011 and is effective for periods commencing on or after 1 January 2014 (not yet EU endorsed).

IFRSs Adopted in the Year

The following IFRSs, IASs and IFRICs have been adopted for the first time in the year:

- IAS 24 'Related Party Disclosures – Revised'
- IAS 32 'Financial Instruments: Presentation – Amendment: Classification of Rights Issues'.
- IFRIC 14 'Prepayments of a minimum Funding Requirement'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

NOTES TO THE FINANCIAL STATEMENTS

1. 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			
		2011 **£000**	2010 £000
INFORMATION BY PRODUCT TYPE			
Licence fees		**2,336**	1,953
Annual support fees		**5,961**	5,933
SaaS subscription fees		**1,016**	789
Professional services		**1,338**	1,203
Funded development initiatives		**142**	123
		10,793	10,001

THIRD PARTY REVENUE			
		2011 **£000**	2010 £000
INFORMATION BY GEOGRAPHICAL LOCATION			
UK		**1,342**	1,339
Rest of Europe		**2,518**	2,231
USA and Canada		**5,989**	5,822
Rest of World		**944**	609
		10,793	10,001

NON-CURRENT ASSETS EXCLUDING DEFERRED TAXATION			
		2011 **£000**	2010 £000
INFORMATION BY GEOGRAPHICAL LOCATION			
UK		**8,163**	6,353
USA and Canada		**48**	205
Rest of World		**80**	25
		8,291	6,583

Major Customers

In the prior year the Group generated external revenues of £1.456m from one customer which individually amounted to more than 10% of the Group revenue. In the current year there were no individual customers accounting for 10% or more of total revenue.

2. Profit from Operations

	2011 £000	2010 £000
Profit from operations includes the following significant items:		
Depreciation and amounts written off property, plant and equipment:		
Charge for the year:		
Owned assets	**116**	67
Leased assets	**-**	8
Amortisation of intangible assets	**347**	34
Profit on disposal of property, plant and equipment	**(14)**	-
Research and development costs	**1,384**	1,287
Foreign exchange (gains) / losses recognised in operating expenses	**(88)**	37
Operating lease rentals:		
Plant and machinery	**149**	136
Land and buildings	**330**	310
Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non-audit services:		
Audit services:		
Statutory audit of parent and consolidated financial information	**16**	4
Other services:		
Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP or its associates	**60**	29
Taxation services	**12**	36
Services pursuant to companies legislation	**-**	4
Corporate finance services	**31**	67
Other services	**-**	17
	119	157

2. Profit from Operations (continued)

The following table analyses the nature of expenses:-

	2011 £'000	2010 £'000
Staff costs (see note 5)	**5,761**	5,190
Depreciation (see note 12)	**116**	75
Operating lease rentals	**479**	446
Software maintenance charges	**309**	273
Other expenses	**2,126**	1,763
Total operating expenses	**8,791**	7,747

Non-Recurring Costs

During the year the Group paid a non-recurring bonus of £nil (2010: £0.35m) to the directors of Instem Life Science Systems Limited (formerly Instem LSS Group Limited) in respect of past service.

The Group incurred costs of £nil (2010: £0.30m) in respect of professional advice received in connection with the flotation of the business. The Group incurred costs of £0.10m (2010: £nil) in connection with the acquisition of subsidiaries. In addition the Group recognised a credit of £0.08m (2010: £nil) in relation to the re-assessment of contingent consideration.

In addition the Group paid £nil (2010: £0.04m) in respect of non-recurring third party legal and professional expenses for the incorporation of Instem Information Systems (Shanghai) Limited in China.

3. FINANCE INCOME

	2011 £000	2010 £000
Bank interest	**300**	263
Foreign exchange gains	**122**	-
	422	263

4. FINANCE COSTS

	2011 £000	2010 £000
Bank loans and overdrafts	**306**	297
Foreign exchange losses	**34**	37
Expected returns on pension scheme assets	**(334)**	(326)
Interest on pension scheme liabilities	**394**	356
Other	**56**	-
	456	364

5. EMPLOYEES

	2011 Number	2010 Number
Average monthly number (including executive directors)		
By role:		
Directors, administration, and supervision	**34**	28
Software design, sales and customer service	**82**	75
	116	103

	2011 £000	2010 £000
Employment costs:		
Wages and salaries	**4,769**	4,297
Social security costs	**470**	414
Retirement benefits	**522**	479
	5,761	5,190

In 2010 an additional non-recurring payment to shareholder/directors of £0.35m was made, which is not included in the above table.

A charge of £0.088m (2010: £0.021m) arises in respect of share based payments.

6. Share-Based Payments

Equity-Settled Share Option Plan

Under the approved and unapproved option schemes, the Remuneration Committee can grant options to employees of the Group. Options are granted with a fixed exercise price which is equal to the market price at the date of grant. The contractual life is generally ten years from the date of grant. Options become exercisable after three years. Certain options issued to directors and senior employees carry market based performance conditions.

	2011		2010	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at the beginning of the period	**585,711**	**1.75**	-	-
Granted	**183,351**	**2.22**	585,711	1.75
Lapsed	**(31,238)**	**-**	-	-
Outstanding at end of the period	**737,824**	**1.81**	585,711	1.75
Exercisable at 31 December	**-**	**-**	-	-

The options outstanding at 31 December 2011 had exercise prices of £1.75, £2.22 and £2.215 (2010: £1.75) and a weighted average remaining contractual life of 8.90 years (2010: 9.75 years).

Options are valued using the Black-Scholes option-pricing model and for performance conditions, the Binomial or Monte Carlo models. The fair value has been estimated using the following key assumptions:

	2011	2010
Average exercise price	**£2.22**	£1.75
Average market price	**£2.22**	£1.75
Average vesting period (years)	**3**	3
Expected volatility	**19.1%-20.7%**	22%-26%
Option life (years)	**10**	10
Expected life (years)	**6**	6
Risk free rate	**1.27%-1.60%**	1.9%
Expected dividend yield	**0%**	0%
Expected lapse rate	**0%**	0%
Fair value of options	**£0.51-£0.53**	£0.38-£0.51

Expected volatility was determined by calculating the historical volatility of a comparable business, prior to the period when the Company's shares were listed on the AIM market. Volatility since listing has been calculated using the daily mid market share price. The expected life used in the model has been adjusted, based upon the management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Options over 433,426 shares (2010: 351,426 shares) incorporate a market performance condition based on the Company's share price.

The fair value of options granted in the year is £0.11m.

7. DIRECTORS' EMOLUMENTS		**2011 £000**	2010 £000
Amounts payable by Instem plc:			
Emoluments		**92**	23
Money purchase pension contributions		**-**	-
Amounts payable by subsidiary companies:			
Emoluments		**246**	602
Money purchase pension contributions		**30**	40
Total emoluments		**368**	665
		2011 Number	2010 Number
Number of directors to whom retirement benefits are accruing under:			
Defined contribution schemes		**1**	2

The highest paid director is shown in the Directors' Remuneration Report.

8. Income Taxes

	2011 £000	2010 £000
Income taxes recognised in profit or loss Current tax:		
UK corporation tax on profits for the period	**167**	379
Double tax relief	**-**	(212)
Foreign tax	**240**	274
Adjustments in respect of previous periods	**(78)**	(50)
Total current tax	**329**	391
Deferred tax:		
Origination and reversal of temporary differences	**150**	73
Adjustments in respect of previous years	**(36)**	-
Retirement benefit obligation	**63**	50
Total deferred tax	**177**	123
Total income tax expense recognised in the current year	**506**	514

	2011 £000	2010 £000
The income tax expense can be reconciled to the accounting profit as follows:		
Profit before tax	**1,512**	1,415
Profit before tax multiplied by standard rate of corporation tax in the UK 26.5% (2010: 28%)	**401**	396
Effects of:		
Expenses not deductible for tax purposes	**67**	84
Differences in overseas tax rates	**152**	84
Prior period adjustments	**(114)**	(50)
Total income tax expense recognised in profit or loss	**506**	514

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible Assets

Group Cost	Goodwill £000	Software £000	Intellectual property £000	Customer Relations £000	Patents £000	Total £000
At 1 January 2010	5,858	427	-	-	-	6,285
Additions from continuing operations	-	361	-	-	-	361
At 31 December 2010	5,858	788	-	-	-	6,646
Additions from continuing operations	-	291	-	-	-	291
Additions from acquisitions in the period	498	79	819	325	21	1,742
At 31 December 2011	**6,356**	**1,158**	**819**	**325**	**21**	**8,679**
Amounts written off At 1 January 2010	-	195	-	-	-	195
Amortisation expense	-	34	-	-	-	34
At 31 December 2010	-	229	-	-	-	229
Amortisation expense	-	153	137	54	3	347
At 31 December 2011	**-**	**382**	**137**	**54**	**3**	**576**
Net book value At 31 December 2010	5,858	559	-	-	-	6,417
At 31 December 2011	**6,356**	**776**	**682**	**271**	**18**	**8,103**

Impairment of goodwill

Goodwill, amounting to £5.858m (2010: £5.858m), relates to a cash generating unit, being the Instem business acquired on the management buyout of Instem LSS Limited on 27 March 2002. Goodwill, amounting to £0.498m (2010: £nil), relates to a cash generating unit, being the BioWisdom business acquired on 3 March 2011. During the period, goodwill was tested for impairment in accordance with IAS 36 "Impairment of Assets". The recoverable amount for the cash generating unit exceeded the carrying amount of goodwill. The recoverable amount for the cash generating unit has been measured on a value in use calculation.

The key assumptions used, which are based on management's past experience, for the value in use calculations are those regarding the discount rates, growth rates and direct costs during the period. The value in use calculations are based on the future cashflows from approved forecasts for one year which has then been extrapolated to cover a period of five years, being the maximum period which management considers can reliably be forecast. At 31 December 2011 a pre tax discount rate of 12% (2010: 8.33%) was used in the value in use calculation based on the Group's cost of capital. In determining the value in use, cashflows have not been increased to reflect potential growth.

Projected cashflows were based on detailed Group profit and cashflow projections through to 2013 with no assumption of growth beyond 2013. The projections were based on reasonable assumptions in respect of business growth rates, payroll and other cost increases and related cashflow impacts.

The directors consider the discount rate to be the most sensitive assumption used in the impairment review. A 1% increase in the discount rate to 13% would reduce the value in use estimate by £0.2m. However, the revised value in use figure would still exceed the carrying value of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

10. Investments

Company-cost and net book value	£000's
At 1 January 2010	-
Investment in Instem Life Science Systems Limited (formerly Instem LSS Group Limited)	16,500
At 31 December 2010	16,500
Investment in Instem Scientific Limited (formerly BioWisdom Limited) (see note 11)	609
At 31 December 2011	**17,109**

On 1 October 2010 the Company acquired the entire issued share capital of Instem Life Science Systems Limited (formerly Instem LSS Group Limited). On 3 March 2011 the Company acquired the entire issued share capital of Instem Scientific Limited (formerly BioWisdom Limited).

The company has two wholly-owned subsidiaries and six wholly-owned sub-subsidiaries, details of which are as follows:

Company	Activity	Ownership
Instem Life Science Systems Limited (formerly Instem LSS Group Limited) (company number 04339129) England and Wales	Holding Company	100% by Instem plc
Instem LSS Limited (company number 03548215) England and Wales	Software development, sales, sales support and administrative support	100% by Instem Life Science Systems Limited
Instem LSS (North America) Limited (company number 02126697) England and Wales	Sales, sales support and administrative support	100% by Instem LSS Limited
Instem LSS (Asia) Limited (company number 1371107) Hong Kong	Holding Company	100% by Instem LSS Limited
Instem Information Systems (Shanghai) Limited (company number 310115400257075) Shanghai, PRC	Sales, sales support and service	100% by Instem LSS (Asia) Limited
Instem Scientific Limited (formerly BioWisdom Limited) (company number 03861669) England and Wales	Leading provider of software solutions for extracting intelligence from R&D related healthcare data	100% by Instem plc
Instem Scientific Solutions Limited (formerly BioWisdom SRS Limited) (company number 03598020) England and Wales	Leading provider of software solutions for extracting intelligence from R&D related healthcare data	100% by Instem Scientific Limited
Instem Scientific Inc (formerly OmniViz Inc) (company number 03173151) USA	Leading provider of software solutions for extracting intelligence from R&D related healthcare data	100% by Instem Scientific Limited

NOTES TO THE FINANCIAL STATEMENTS

11. Business Combinations

Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
2011			%	£000
Instem Scientific Limited (formerly BioWisdom Limited)	Leading provider of software solutions for extracting intelligence from R&D related healthcare data	3 March 2011	100	609

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

Consideration transferred	Instem Scientific Limited £000
Cash	200
Contingent consideration – Payable in cash	244
Contingent consideration – To be settled in shares	245
Total consideration estimate at acquisition	689
Adjustment to estimate of contingent consideration recognised in Consolidated Statement of Comprehensive Income	
Contingent consideration – Payable in cash	(40)
Contingent consideration – To be settled in shares	(40)
Total consideration estimate at 31 December 2011	**609**

The contingent consideration is based on certain cumulative performance related conditions over two years as follows:

- Where FY2011 Revenue is equal to or greater than £1,304,000 the first deferred consideration shall be £100,000 plus £1,000 for every £1,000 of Revenue in excess of £1,304,000 subject to a maximum payment of £300,000.

- Where FY2011 and FY2012 Revenue is equal to or greater than £2,815,000 the second deferred consideration shall be £100,000 plus £1,000 for every £1,000 of Revenue in excess of £2,815,000 subject to a maximum payment of £600,000.

Acquisition related costs amounting to £101,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the 'Non-recurring costs' line item in the consolidated statement of comprehensive income.

In addition to the consideration above, Instem plc has advanced £200,000 to Instem Scientific Limited in the form of working capital and assumed £500,000 of debt from Instem Scientific. This is included within trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

11. Business Combinations (continued)

Fair value of assets acquired and liabilities recognised at the date of acquisition	Instem Scientific Limited £000
Non-Current Assets	
Intellectual property	819
Customer Related Assets	325
Software	79
Patents	21
Property, plant and equipment	1
Deferred Tax on losses brought forward	405
Current Assets	
Trade and other receivables	131
Cash and cash equivalents	141
Current Liabilities	
Trade and other payables	(851)
Financial liabilities	(544)
Non-Current Liabilities	
Deferred Tax on acquisition	(336)
	191

Goodwill arising on acquisition	Instem Scientific Limited £000
Consideration transferred	689
Less: fair value of identifiable net assets acquired	(191)
Goodwill arising on acquisition	498

Goodwill arose on the acquisition of Instem Scientific Limited because the premium paid by the Company reflects the expected benefit of synergies, revenue growth and future market development. Instem Scientific Limited was acquired to expand and enhance the Group's product and service offering within the Global Life Sciences operating segment. These benefits have not been recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition	Instem Scientific Limited £000
Consideration paid in cash	(200)
Less: cash and cash equivalent balances acquired	141
Net cash outflow	(59)

11. Business Combinations (continued)

Impact of acquisition on the results of the Group

Included in the profit for the year is £224,000 attributable to the additional business generated by Instem Scientific Limited. Revenue for the year includes £1,157,000 in respect of Instem Scientific Limited.

Had this business combination been effected at 1 January 2011, the revenue of the Group from continuing operations would have been £11,009,000, and the profit for the year from continuing operations would have been £1,056,000. The directors consider these numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future years.

12. Property, Plant and Equipment

Group	Short leasehold property	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 January 2010	30	2,989	12	3,031
Additions	15	96	-	111
Disposals	-	(251)	-	(251)
Exchange adjustment	-	13	-	13
At 31 December 2010	45	2,847	12	2,904
Additions	8	144	-	152
Disposals	(48)	(1,495)	-	(1,543)
Acquisitions through business combinations	-	1	-	1
Exchange adjustment	-	4	-	4
At 31 December 2011	**5**	**1,501**	**12**	**1,518**
Depreciation				
At 1 January 2010	18	2,874	12	2,904
Depreciation expense	2	73	-	75
Eliminated on disposals	-	(251)	-	(251)
Exchange adjustment	-	10	-	10
At 31 December 2010	20	2,706	12	2,738
Depreciation expense	15	101	-	116
Eliminated on disposals	(35)	(1,492)	-	(1,527)
Exchange adjustment	-	3	-	3
At 31 December 2011	**-**	**1,318**	**12**	**1,330**
Net book value				
At 31 December 2010	25	141	-	166
At 31 December 2011	**5**	**183**	**-**	**188**

The net book value of plant and equipment includes £nil (2010: £nil) in respect of assets held under finance leases. Depreciation for the period on these assets was £nil (2010: £8,000).

NOTES TO THE FINANCIAL STATEMENTS

13. Inventories

Group	2011 £000	2010 £000
Work in progress	**93**	137
Total gross inventories	**93**	137
Inventory impairment	**-**	-
	93	137

14. Trade and Other Receivables

	2011 £000	2010 £000
Group		
Trade receivables	**2,008**	668
Amount recoverable on contracts	**590**	291
Other receivables	**15**	32
Prepayments and accrued income	**416**	604
	3,029	1,595
Company		
Amounts owed by group companies	**700**	-
Other receivables	**53**	64

A provision for impairment is made where there is objective evidence of impairment which is usually indicated by a delay in the expected cash flows or non-payment from customers.

An analysis of the provision for impairment of receivables is as follows:	2011 £000	2010 £000
At beginning of year	**2**	2
Charge for the year	**4**	-
At end of year	**6**	2

The average credit period taken on sale of goods is 48 days (2010: 33 days). No interest is charged on overdue receivables.

Before accepting any new customer, the Group obtains relevant credit references to assess the potential customer's credit quality. Credit limits are defined by customer.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

14. Trade and Other Receivables (continued)

The age profile of the net trade receivables for the Group at the year-end was as follows:

		Debt age				
Group 2010		Current	0-30 days	31-60 days	Over 60 days	Total
Trade receivables						
Value (£000)		834	98	16	11	959
%		87	10	2	1	100

		Debt age				
Group 2011		**Current**	**0-30 days**	**31-60 days**	**Over 60 days**	**Total**
Trade receivables						
Value (£000)		**1,896**	**440**	**246**	**16**	**2,598**
%		**73**	**17**	**9**	**1**	**100**

An analysis of trade and other receivables by currency is as follows:

		2011 £000	2010 £000
Sterling		**1,544**	714
Euro		**186**	31
US Dollar		**1,150**	838
Renminbi		**148**	12
Hong Kong Dollar		**1**	-
		3,029	1,595

15. Cash and Cash Equivalents

		2011 £000	2010 £000
Group			
Cash at bank		**12,280**	12,085
Bank overdraft		**(8,912)**	(8,822)
		3,368	3,263
Company			
Cash at bank		**2,102**	3,100

The Group overdraft facility has a net limit of £2,000,000 and gross facility of £9,000,000. Interest is charged on the bank overdraft at 2.75% above base rate up to the above limit and 6% above base rate on any remainder. The bank overdraft is secured by fixed and floating charges over certain of the Group's assets. All balances are denominated in Sterling. The overdraft facility is renewable in June 2012.

An analysis of cash and cash equivalents by currency is as follows:

Group		2011 £000	2010 £000
Sterling		**2,032**	2,654
Euro		**100**	136
US Dollar		**1,114**	394
Other		**122**	79
		3,368	3,263
Company			
Sterling		**2,102**	3,100

The carrying amount of these assets approximates to their fair value.

16. Trade and Other Payables

		2011 £000	2010 £000
Group - Current			
Trade payables		**404**	257
Other taxation and social security costs		**163**	123
Other payables		**152**	29
Accruals and deferred income		**6,875**	5,127
		7,594	5,536
Company - Current			
Trade payables		**40**	37
Group payables		**103**	29
Other payables		**411**	-
Accruals and deferred income		**19**	-
		573	66

16. Trade and Other Payables (continued)

An analysis of trade and other payables by currency is as follows:

Group		2011 £000	2010 £000
Sterling		**3,878**	2,444
US Dollar		**3,590**	3,022
Renminbi		**124**	70
Hong Kong Dollar		**2**	-
		7,594	5,536
Company			
Sterling		**573**	66

The directors consider that the carrying amount of trade and other payables approximates to fair value due to their short maturities. Trade payables are mainly due to be paid within one month.

17. Current Taxation

The Group current tax receivable of £64,000 (2010: payable £85,000) represents the amount of income taxes receivable/(payable) in respect of current and prior years.

18. Financial Liabilities

Group and Company	Total	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	More than five years
2010	£000	£000	£000	£000	£000	£000	£000
Series B Loan Notes	253	253	-	-	-	-	-
Loan Note	-	-	-	-	-	-	-
	253	253	-	-	-	-	-

	Total	**Less than one year**	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**	**More than five years**
2011	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Series B Loan Notes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan Note	**500**	**250**	**250**	**-**	**-**	**-**	**-**
	500	**250**	**250**	**-**	**-**	**-**	**-**

Series B Loan Notes

The Series B Loan Notes were issued on 5 October 2010. The notes are unsecured and bear interest at the rate of 1.75% above bank base rate. The loan notes plus accrued interest were repaid in full on 13 October 2011.

18. Financial Liabilities (continued)

Loan Note
The Loan Note was issued on 3 March 2011. The loan note is unsecured and bears interest at the rate of 7%.

Due to the short maturity the directors believe the carrying value approximates to fair value.

There is a debenture in favour of National Westminster Bank Plc, dated 13 April 2011, secured over the assets of the group by way of fixed and floating charges.

19. Financial Instruments

All financial instruments held by the Group, as detailed in this note, are classified as “Loans and Receivables” (trade and other receivables, excluding prepayments, and cash and cash equivalents), “Financial Liabilities Measured at Amortised Cost” (trade and other payables, excluding statutory liabilities, and financial liabilities) and “Fair value through profit and loss” (other financial liabilities which reflect derivative contracts) under IAS 39 ‘Financial Instruments: Recognition and Measurement’.

FINANCIAL RISK MANAGEMENT
The Group’s activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Market risk includes interest rate risk, foreign exchange rate risk and price risk. The main financial risks managed by the Group, under policies approved by the Board, are interest rate risk, foreign currency risk, liquidity risk and credit risk.

The Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Group by using various instruments and techniques. Derivative financial instruments are only used to hedge exposures arising in respect of underlying business requirements and not for any speculative purpose.

Foreign exchange risk
The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the statement of financial position and statement of comprehensive income of foreign operations into sterling. The currencies giving rise to this risk are primarily US dollars. The Group has both cash inflows and outflows in this currency that create a natural hedge.

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group’s cash inflows and outflows in a foreign currency. The Group also hedges any material foreign currency transaction exposure. During the prior year the Group entered into US dollar hedging arrangements with fixed forward contracts which all expired prior to the reporting date and an American Ratio forward accrual contract.

Over the longer term, changes in foreign exchange could have an impact on consolidation of foreign subsidiaries earnings. The assumption in 2011 was based on a forecast that the US Dollar to sterling rate would be 1.60. A 10% decrease in the value of sterling against the US dollar would result in an increase in the Group’s profit before tax by approximately £0.30m.

Interest rate risk
The Group operates an interest rate policy designed to minimise interest costs and reduce volatility in reported earnings.

The Group bank facility does not allow the US Dollar cash balances to generate interest therefore the Group transfers funds from the US dollar account into the sterling account. This is achieved using currency swaps which maximise the interest gains whilst minimising foreign exchange risks.

As at 31 December 2011 indications are that the UK bank rate will remain at 0.5% over the next 12 months. On the basis of the floating net cash position at 31 December 2011 and assuming no other changes occur (such as changes in currency exchange rates) and that no further interest rate management action is taken, the stable interest rates will not have an impact on net interest income/(expense).

19. Financial Instruments (continued)

2010	Fixed rate	Floating rate	Non-interest bearing	Total
Group	£000	£000	£000	£000
Trade and other receivables	-	-	1,595	1,595
Cash and cash equivalents	-	3,067	196	3,263
Trade and other payables	-	-	(5,536)	(5,536)
Loan notes	-	(253)	-	(253)
	-	2,814	(3,745)	(931)

2011	**Fixed rate**	**Floating rate**	**Non-interest bearing**	**Total**
Group	**£000**	**£000**	**£000**	**£000**
Trade and other receivables	**-**	**-**	**3,029**	**3,029**
Cash and cash equivalents	**-**	**3,368**	**-**	**3,368**
Trade and other payables	**-**	**-**	**(7,594)**	**(7,594)**
Loan Note	**(500)**	**-**	**-**	**(500)**
	(500)	**3,368**	**(4,565)**	**(1,697)**

2010	Fixed rate	Floating rate	Non-interest bearing	Total
Company	£000	£000	£000	£000
Trade and other receivables	-	-	64	64
Cash and cash equivalents	-	3,100	-	3,100
Trade and other payables	-	-	(66)	(66)
Loan notes	-	(253)	-	(253)
	-	2,847	(2)	2,845

2011	**Fixed rate**	**Floating rate**	**Non-interest bearing**	**Total**
Company	**£000**	**£000**	**£000**	**£000**
Trade and other receivables	**-**	**500**	**253**	**753**
Cash and cash equivalents	**-**	**2,102**	**-**	**2,102**
Trade and other payables	**-**	**-**	**(573)**	**(573)**
Loan notes	**(500)**	**-**	**-**	**(500)**
	(500)	**2,602**	**(320)**	**1,782**

19. Financial Instruments (continued)

Credit risk

Management aim to minimise the risk of credit losses.

The Group's financial assets are bank balances and cash and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables and the Group has policies in place to ensure that sales of products and services are made to customers with appropriate creditworthiness.

The amounts presented in the statement of financial position are net of impairment provisions, estimated by the Group's management based on prior experience and their assessment of the present value of estimated future cash flows. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group had a significant concentration of credit risk in the prior year:

2010

Customer A - £223,220 (23%)

2011

No individual customers in 2011 accounted for 10% or more of total credit risk.

The Group's exposure to losses from defaults on trade receivables is reduced due to contractual terms which require installation, training, annual licensing and support fees to be invoiced and paid annually in advance.

Note 14 sets out the impairment provision for credit losses on trade receivables and the ageing analysis of overdue trade receivables. There are no impairment losses recognised on other financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.

The Group's objective is to ensure that adequate facilities are available through use of bank overdrafts and finance leases. The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs.

The Group regularly monitors its available headroom under its borrowing facilities. At 31 December 2011, £2.0m of undrawn facilities was available (2010: £1.2m).

In respect of the Group's interest-bearing financial liabilities, the table in note 18 includes details at the reporting date of the periods in which they mature.

20. Derivative Financial Instruments

The Group utilises derivatives to hedge its foreign currency exposure arising from future transactions and cash flows. During the prior year the Group entered in to an accrual forward contract to exchange $25,000 per month at an agreed rate of $1.456/£1 for a 19 month period. If the exchange rate rises above $1.635, the contract terminates and if the exchange rate falls below $1.395/£1, the Group is committed to exchange a further $25,000 at $1.395/£.

The fair value of the derivative at 31 December 2011 is £nil (2010: £488) which has been calculated using option pricing models that take into account historical USD/GBP volatility. It falls under level 2 of the fair value hierarchy as its valuation has been based on observable inputs. The derivative and the fair value gain have not been recognised in the financial statements on the grounds of immateriality.

At the reporting date, the total notional amount outstanding on foreign exchange forward contracts that the Group has committed to is as follows:

		2011 $000	2010 $000
US Dollars		**-**	275

21. Deferred Tax

Group		**31 December 2011 £000**	31 December 2010 £000
Deferred tax assets			
- amounts due to be recovered within 12 months		**-**	-
- amounts due to be recovered after 12 months		**404**	431
Deferred tax liabilities			
- amounts due to be settled within 12 months		**-**	-
- amounts due to be settled after 12 months		**(125)**	(110)
Net position		**279**	321

The movement in the year in the Group's net deferred tax position was as follows:

		31 December 2011 £000	31 December 2010 £000
At beginning of the year		**321**	297
Charge to income for the year		**(177)**	(123)
Credit to other comprehensive income for the year		**98**	157
Effect of change in tax rate – equity		**(30)**	(10)
Recognised on acquisitions		**69**	-
Other		**(2)**	–
At end of the year		**279**	321

21. Deferred Tax (continued)

The following are the major deferred tax assets and liabilities recognised by the Group and the movements thereon during the year:

Deferred tax asset/(liabilities)	Accelerated tax depreciation £000	Tax losses £000	Retirement benefit obligations £000	Total £000
At 1 January 2010	(50)	45	302	297
Charge to profit or loss for the year	(54)	(19)	(50)	(123)
Charge to equity for the year	-	-	147	147
At 31 December 2010	(104)	26	399	321
Charge to profit or loss for the year	(88)	(26)	(63)	(177)
Charge to equity for the year	28	(30)	68	66
Recognised on acquisitions	(336)	405	-	69
At 31 December 2011	**(500)**	**375**	**404**	**279**

22. Retirement Benefit Obligations

Defined contribution pension scheme
The Company has four active defined contribution schemes and a closed defined contribution scheme:

Group Personal Pension Plan - the scheme was created on 31 December 2008. The Scheme is a contributory money purchase scheme with the employer matching employee contributions to a maximum of 5%. The employer also contributes to the Scheme for former members of the Instem LSS Pension Scheme at rates varying from 5% to 18%. Employer contributions for the year ended 31 December 2011 were £0.39m (2010: £0.37m).

Contracted In Money Purchase Scheme (CIMP) - the Scheme was created on 31 December 2008. The Scheme is a non-contributory scheme created for former members of the Instem LSS Pension Scheme who are US residents. Employer contributions for the year ended 31 December 2011 were £0.03m (2010: £0.03m).

Instem LSS (North America) Limited 401k Plan - the scheme was created for the benefit of employees of Instem LSS (North America) Limited in the USA. The Scheme is a contributory money purchase scheme with the employer matching contributions to the scheme to a maximum of 4.8%.

Instem LSS Stakeholder Scheme - the Scheme was a contributory money purchase scheme which closed on 31 December 2008. Employer contributions for the year ended 31 December 2011 were £nil (2010: £nil).

BioWisdom GPP Scheme - the Scheme is a Group Personal Pension arrangement with Winterthur Life (now part of Friends Life) and was set up in 2001. The employee must contribute at least 3% of basic salary and the employer contributes up to a maximum of 6%. Employer contributions for the period ended 31 December 2011 were £0.03m.

22. Retirement Benefit Obligations (continued)

Defined benefit pension scheme

The Group also operates a pension scheme providing benefits based on final pensionable pay. This scheme was closed to new members with effect from 8 October 2001 and the rate of future benefit accrual reduced from 1/60th of final pensionable pay per year of service to 1/80th with effect from 6 April 2003. The scheme closed to future accrual on 31 December 2008.

The latest full actuarial valuation was carried out at 5 April 2008 and was updated to 31 December 2011 by a qualified independent actuary.

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.

	2011 %	2010 %
Discount rate	**5.4**	5.8
Expected return on plan assets	**5.3**	6.1
Inflation	**3.1**	3.6
Rate of increase in salaries	**N/A**	N/A
Rate of increase in pensions in payment	**3.1**	3.6
Rate of increase in pensions in deferment	**3.1**	3.6
Life Expectancy assumptions		
Male currently aged 45	**24.4**	24.3
Female currently aged 45	**26.8**	26.7
Male currently aged 65	**22.5**	22.4
Female currently aged 65	**24.9**	24.8

ANALYSIS OF AMOUNT CHARGED TO PROFIT OR LOSS	**2011 £000**	2010 £000
Current service cost	**-**	-
Past service cost	**-**	-
Total operating charge	**-**	-

ANALYSIS OF AMOUNT CHARGED TO OTHER FINANCE COSTS	**2011 £000**	2010 £000
Expected returns on pension scheme assets	**334**	326
Interest on pension scheme liabilities	**(394)**	(356)
Net finance charge	**(60)**	(30)

ANALYSIS OF AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME	**2011 £000**	2010 £000
Actual return less expected return on pension scheme assets	**(480)**	235
Experience losses arising on scheme liabilities	**-**	(77)
Changes in assumptions underlying the present value of the scheme liabilities	**88**	(734)
Actuarial loss recognised in other comprehensive income	**(392)**	(576)

22. Retirement Benefit Obligations (continued)

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		2011 £000	2010 £000
Opening defined benefit obligation		**6,956**	5,893
Interest cost		**394**	356
Actuarial (gain)/loss		**(88)**	811
Benefits paid		**(316)**	(104)
Closing defined benefit obligation		**6,946**	6,956

CHANGES IN THE FAIR VALUE OF PLAN ASSETS		2011 £000	2010 £000
Opening plan assets		**5,479**	4,812
Expected return		**334**	326
Actuarial (loss)/gain		**(480)**	235
Contributions by employer		**313**	210
Benefits paid		**(316)**	(104)
Closing plan assets		**5,330**	5,479

		2011 £000	2010 £000
Present value of funded obligations		**(6,946)**	(6,956)
Fair value of plan assets		**5,330**	5,479
Deficit		**(1,616)**	(1,477)
Related deferred tax asset		**404**	399
Net pension liability		**(1,212)**	(1,078)

22. Retirement Benefit Obligations (continued)

ANALYSIS OF CUMULATIVE AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME		**Cumulative 2011 £000**	Cumulative 2010 £000
Actual return less expected return on pension scheme assets		**(531)**	(51)
Experience gains and losses arising on scheme liabilities		**(910)**	(910)
Changes in assumptions underlying the present value of the scheme liabilities		**678**	590
Cumulative actuarial loss recognised in other comprehensive income		**(763)**	(371)

MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF FAIR VALUE OF TOTAL PLAN ASSETS

	2011		2010	
	£000	**%**	£000	%
Equities	**3,838**	**72**	4,054	74
Property	**107**	**2**	110	2
Bonds	**426**	**8**	438	8
Corporate Bonds	**586**	**11**	219	4
Cash	**320**	**6**	603	11
Other	**53**	**1**	55	1
	5,330	**100**	5,479	100

The five year history of experience adjustments are as follows:

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of defined benefit obligation	**(6,946)**	(6,956)	(5,893)	(4,901)	(6,303)
Fair value of plan assets	**5,330**	5,479	4,812	3,752	4,335
Deficit	**(1,616)**	(1,477)	(1,081)	(1,149)	(1,968)
Experience adjustments on plan liabilities	**-**	(77)	(18)	(431)	(31)
Experience adjustments on plan assets	**(480)**	235	557	(1,390)	(7)

The Group expects to contribute £321,000 to its defined benefit plans in the next financial year (2011: £313,000).

23. Share Capital

		2011 £000	2010 £000
Allotted, called up and fully paid			
11,714,286 ordinary shares of 10p each		**1,171**	1,171

Under the pooling of interests basis the share capital as at 5 October 2010 is deemed to have been in existence throughout the years presented.

24. 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.

	2011			2010		
	Profit after tax (£000's)	**Weighted average number of shares (000's)**	**Earnings per share (pence)**	Profit after tax (£000's)	Weighted average number of shares (000's)	Earnings per share (pence)
Earnings per share-basic	**1,006**	**11,714**	**8.6**	901	7,698	11.7
Potentially dilutive shares	**-**	**134**	**(0.1)**	-	23	-
Earnings per share-diluted	**1,006**	**11,848**	**8.5**	901	7,721	11.7

24. Earnings Per Share (continued)

Adjusted earnings per share

	2011			2010*		
	Profit after tax (£000)	Weighted average number of shares (000)	Earnings per share (pence)	Profit after tax (£000)	Weighted average number of shares (000)	Earnings per share (pence)
Earnings per share-basic	1,006	11,714	8.6	901	7,698	11.7
Effect of share-based payments	88	-	0.7	21	-	0.3
Effect of non-recurring items	21	-	0.2	683	-	8.9
Effect of tax on non-recurring items	(6)	-	-	(191)	-	(2.5)
Adjusted earnings per share - Basic	1,109	11,714	9.5	1,414	7,698	18.4
Potentially dilutive shares	-	134	(0.1)	-	23	-
Adjusted earnings per share-diluted	1,109	11,848	9.4	1,414	7,721	18.4

* Following the Initial Public Offering in October 2010 the Company had 11,714,286 shares in issue for the short period up to the end of the financial year. On a comparable basis with 2011, if those shares had been in issue for the full 12 months during 2010, the weighted average number of shares in issue would have been 11,714,286 and the comparable basic earnings per share would have been 7.7p.

25. Reserves

Called up share capital
The share capital account includes the par value for all shares issued and outstanding.

Share premium account
The share premium account is used to record amounts received in excess of the nominal value of shares on issue of new shares less the costs of new share issues.

Translation reserve

The translation reserve incorporates the cumulative net exchange gains and losses recognised on the translation of subsidiary Company financial information to the presentational currency of Sterling (£).

Retained earnings
The retained earnings reserve includes the accumulated profits and losses arising from the consolidated 'Statement of Comprehensive Income' and certain items from 'Other Comprehensive Income' attributable to equity shareholders net of distributions to shareholders.

Merger reserve
The merger reserve represents the difference between the consideration payable at the date of acquisition, net of merger relief, and the share capital and share premium of Instem Life Science Systems Limited (formerly Instem LSS Group Limited).

Shares to be issued
The shares to be issued reserve represents the shares to be issued under the share option scheme and shares contingently issuable on acquisitions.

25. Reserves (continued)

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to maximise the capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis.

The Group considers its capital to include share capital, share premium, translation reserve, retained earnings, and net debt as noted below.

Net debt includes short and long-term borrowings net of cash and cash equivalents.

The Group has not made any changes to its capital management during the year.

26. Capital Commitments

There were no capital commitments at the end of the financial year (2010: £nil).

27. Operating Leases Payable

		2011 £000	2010 £000
Minimum lease payments under operating leases recognised as an expense in the year		**416**	446
At the reporting date, the Group has outstanding commitments under operating leases, which fall due as follows:		**2011 £000**	2010 £000
Land and buildings			
Within one year		**363**	334
In the second to fifth year inclusive		**1,048**	1,220
After five years		**863**	1,411
Plant and machinery			
Within one year		**61**	119
In the second to fifth year inclusive		**2**	65
After five years		**-**	-
		2,337	3,149

Operating lease payments represent rentals payable by the Group for certain property and equipment. Leases have varying terms and renewal rights. The above leasing arrangements do not contain any restrictive covenants, contingent rents or purchase options.

The operating lease in relation to the head office buildings contain a dilapidation clause whereby Instem plc must make good any damage to the demised premises on expiration of the lease in November 2023. The directors' estimate that the current liability is not material to warrant provision at the period end.

28. Related Party Transactions

Transactions between Group companies have not been disclosed as these have all been eliminated in the preparation of the financial statements. During the year the Company traded with subsidiary companies in its normal course of business. These transactions related to loans and recharges and totalled in aggregate £534,000 credit. The intercompany balances due to the Company at the year end totalled £597,000.

During the year the Company has traded in its normal course of business with shareholders and consultancy businesses in which Directors have a material interest as follows:

Key management compensation:	**31 December 2011 £000**	31 December 2010 £000
Fees for services provided as non-executive directors		
Salaries, short term benefits and post retirement benefits	**117**	380
Employers National Insurance & Social Security costs	**10**	49
Executive directors		
Salaries, short term benefits and post retirement benefits	**251**	285
Employers National Insurance & Social Security costs	**14**	18
Other key management		
Salaries, short term employee benefits and post retirement benefits	**372**	269
Employers National Insurance & Social Security costs	**31**	21

In addition the Company and Group paid £0.05m (2010: £0.02m) to Instem Ventures, a company owned by Adrian Gare, a shareholder. The balance outstanding at the end of the year was £0.01m (2010: £nil).

Key management are considered to be the Directors together with the Senior Vice-President of Client Services and the Senior Vice-President of Product Development and the Chief Scientific Officer.

29. Accounting Estimates and Judgements

Some asset and liability amounts reported in the financial information are based on management estimates and assumptions. There is therefore a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial year. The estimates and assumptions are made on the basis of information and conditions that exist at the time of the valuation.

Inventory impairment provisions
The Group makes provision for work in progress deemed to be irrecoverable. This provision is established on a specific contract by contract basis based on management's prior experience and their assessment of the present value of estimated future cash flows.

Receivables impairment provisions
The amounts presented in the statement of financial position are net of impairment provisions, estimated by the Group's management based on prior experience and their assessment of the present value of estimated future cash flows.

Pension valuation assumptions
Assumptions are used in the actuarial valuation of the Group's defined benefit pension schemes. Details of these assumptions are disclosed in note 22.

Goodwill impairment
At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets are amortised over their useful lifes, which has been estimated by management to be 5 years.

NOTES TO THE FINANCIAL STATEMENTS

30. Post Balance Sheet Events

On 8 March 2012 the Company issued 50,371 ordinary shares in part settlement of the first tranche of contingent consideration on the acquisition of Instem Scientific Limited.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
REVENUE	**-**	-
Operating expenses	**(435)**	(344)
LOSS FROM OPERATIONS BEFORE AMORTISATION	**(435)**	(344)
Amortisation of intangibles	**-**	-
LOSS FROM OPERATIONS	**(435)**	(344)
Finance income	**42**	6
Finance costs	**(48)**	(3)
Non-recurring costs	**(101)**	-
LOSS BEFORE TAXATION	**(542)**	(341)
Income tax expense	**-**	-
LOSS FOR THE FINANCIAL YEAR	**(542)**	(341)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(542)**	(341)
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	**(542)**	(341)
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	**(542)**	(341)

This page does not form part of the statutory financial statements.

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Directors and Advisers

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MF McGoun (Independent Non-Executive)
DM Sherwin (Non- Executive)
PJ Reason
NJ Goldsmith

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